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Germany faces facts
No more frills, and
a taste of Thatcher
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Deregulating Japan
Hosokawa tackles
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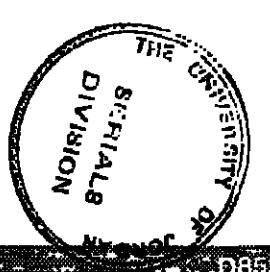
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Weekend FT**
Sex, violence and
the censors

FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY SEPTEMBER 3 1993



Clinton warns US is ready to order Bosnian air strikes

President Bill Clinton warned that the US remained ready to order air strikes in Bosnia if the warring factions continued to block humanitarian efforts following the breakdown of peace talks. Speaking in Washington, Mr Clinton said that if there was "abuse by those who would seek to interfere with humanitarian aid, attack the protected areas and resume the sustained shelling of Sarajevo", the Nato military option remained "very much alive".

The warnings came amid signs that American officials were seeking to step up the pressure on the Serbs and Croats. Page 16; Bosnian foes peer into the abyss, Page 3

US rejects drug price controls: Shares in drug and medical services companies rose on Wall Street and in Europe after US president Bill Clinton confirmed he would not impose mandatory price controls on the health industry as part of his healthcare system reforms. Page 16

D-Mark strengthens: The D-Mark strengthened sharply against most currencies amid increasing concerns about the pace of economic recovery in the US and a growing belief that Germany will lower its short-term interest rates more slowly than had been expected. Page 16; Currencies, Section II; Frankfurt optimism, Page 2

Threat to investment plan: British Gas's ambitions to expand outside the UK could be severely curtailed by Ofgas, the country's gas industry regulator. The company has invested £1.5bn (£2.5bn) in other countries and plans to spend a similar amount over the next few years. Page 17

Iacocca resigns as Chrysler director: Lee Iacocca, (left), who retired as chairman of Chrysler last December, unexpectedly resigned as a director of the automotive group and chairman of its boardroom executive committee. He had been scheduled to remain as chairman of the executive committee until the end of the year.

1994. Neither he nor the company offered any substantive reason for the sudden change of plans, prompting speculation that the departure stemmed from boardroom friction between Mr Iacocca, 68, and his successor as chairman of the group, Mr Robert Eaton, who will now also take over as head of the executive committee. Page 20

Rhône-Poulenc, the French chemicals group which is one of the front runners in the government's privatisation campaign, announced an 11 per cent fall in first-half net profits and warned of reduced earnings for the year. Page 17

Swiss Bank Corporation, Switzerland's third largest banking group, recovered strongly in the first half from depressed profits in the same period last year, doubling net income from ordinary operations to SF719m (\$433m). Page 17

Turkey agrees debt swap deal: Turkey and Libya have agreed an oil-for-debts swap to settle the \$600m owed to Turkish contractors, ending more than three years of negotiations on Libyan payment defaults to 35 Turkish companies. Page 6

Renault and Volvo, the French and Swedish vehicle groups, are aiming to announce a full merger of their operations early next week, creating one of the four biggest car groups in Europe and the continent's second largest truck group. Page 17

Delta Air Lines, one of the three big US carriers, has warned it may have to cancel unprofitable routes despite an improvement in its loss-making transatlantic routes over the summer. Page 20

Pfizer, the big US pharmaceutical company, said it had settled the bulk of lawsuits involving its Shiley heart valve with no material effect on its finances. Page 20

Japan's businessmen halt donations: The Keidanren, Japan's leading business grouping, endorsed a plan to stop contributions to political parties from next year in response to public criticism that corporate gifts to political parties led to corruption. Page 4

Typhoon threatens Japan: Typhoon Yancy, one of the biggest typhoons likely to hit Japan since the second world war, is expected to hit the southern main island of Kyushu with winds of 112 mph around midday today.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3072.5 (-12.5)	New York lunchtime	1,581.5
Yield	4.7%	London	1,581.5
FT-SE Eurotrack 100	1,302.75 (+2.85)	DM	1,501 (1,507.5)
FT-AE Share	1,525.09 (-0.3%)	DM	2,475 (2,502.5)
Nikkei	20,953.20 (-23.30)	FF	8,717.5 (8,777.5)
New York lunchtime	3,638.98 (-6.1%)	Sfr	2.19 (2.2)
Dow Jones Ind Ave	3,638.98 (-6.1%)	Sfr	159.0 (158.25)
S&P Composite	492.10 (-1.15)	Sfr	80.5 (81.0)

US LUNTIME RATES		DOLLAR	
Federal Funds	3.1/4%	New York lunchtime	1,581.5
3-mo Treas Bill: Yld	3.034%	DM	1,501
Long Bond	10.92%	FF	8,717.5
Yield	8.054%	Sfr	2.19

LONDON MONEY		NORTH SEA OIL (Argus)	
3-mo Interbank	5.17%	Sept 11/13	16.50
3-mo long bill: Yld	3.034%	Sept 14/16	16.50
Long Bond	10.92%	Sept 17/19	16.50
Yield	8.054%	Sept 20/22	16.50

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Palestinian call for joint Arab signing of peace agreements with Israel PLO seeks to placate allies

By Mark Nicholson in Cairo and James Whittington in Amman

THE PALESTINE Liberation Organisation said yesterday it wanted Syria, Jordan and Lebanon to sign preliminary peace agreements with Israel at the same time as its own accord on interim self-rule.

The move is an attempt to assuage anger among the Arab participants to the Middle East peace talks at having been bypassed in secret negotiations which led to the PLO-Israeli accord.

Mr Hakam Balawi, a close aide of Mr Yasser Arafat, the PLO chairman, said in Tunis: "We are

making efforts for the agreements to be signed at the same time." PLO and Israeli officials have said they hoped to sign a joint declaration of principles - governing Palestinian self-rule and providing for Israeli military withdrawal from Gaza and the West Bank town of Jericho - in Washington as early as next week.

The PLO's call came after King Hussein, the Jordanian ruler, called for an Arab summit to discuss the imminent PLO-Israeli deal and co-ordinate an Arab response. In a television interview broadcast in Jordan last night, the king expressed deep disappointment at having not

been consulted before the PLO-Israeli deal, and said: "We in Jordan do not accept the imposition of any agreement... we are not a party to."

Jordan is particularly worried about potential security implications of the deal, fearing that any violent opposition to it could spark an influx of Palestinians from the West Bank. "If things deteriorate among the various Palestinian groups over what to do with Gaza-Jericho, then people will seek refuge in Jordan, which we cannot accept," a senior official said in Amman.

There was no immediate response to the king's call for a summit yesterday, which follows

his departure for urgent talks in Damascus on hearing of the PLO-Israeli breakthrough. But diplomats said Lebanon and Syria were likely to try to forge a united front on the agreement, most believed the trio would have little choice but to join the strong momentum Israel and the PLO have created behind their accord.

Both Jordan and Syria are close to agreeing on texts for declarations of principle to guide their own negotiations with Israel. Jordanian officials said this week they could foresee sign-

ing the PLO-Israeli deal or King Hussein's call for a meeting. But while diplomats said Lebanon, Jordan and Syria were likely to try to forge a united front on the agreement, most believed the trio would have little choice but to join the strong momentum Israel and the PLO have created behind their accord.

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JAL to cut costs by servicing aircraft in China

By Michio Nakamoto in Tokyo

JAPAN Air Lines is to shift some of its aircraft maintenance to China, where labour costs are one-tenth those in Japan.

JAL, which is under severe pressure to cut costs quickly, will take a 10 per cent stake in an aircraft servicing plant to be set up by Taeko at Xiamen in China. The company, which was established in June, is 51 per cent owned by Hong Kong Aircraft Maintenance, which does maintenance and repair work for Hong Kong's Cathay Pacific.

The Japanese airline said it aimed to transfer some of the maintenance of its Boeing 747 jumbo jets to Taeko, which will come into operation in 1996. JAL said the move could save it about ¥200m (\$1.9m) in maintenance costs for each jet, which in Japan costs between ¥500m and ¥800m.

JAL plans to send its own staff to train engineers in China. It has been able to take advantage of a loosening of regulations by the ministry of transport, which previously had not approved of contracting out aircraft maintenance outside of Japan because of safety considerations.

Japan's Civil Aviation Board, which oversees aircraft safety, will inspect the new facility before it is given the go-ahead to start maintenance work for JAL. JAL lost ¥54bn before tax in the year to March and has been carrying out a major restructuring programme aimed at cutting ¥200bn in costs. A key part of its strategy is to increase the ratio of personnel costs accounted in foreign currencies.

The airline has some maintenance work done for it in Singapore, but this is the first time it has set up a maintenance base on a greenfield site. JAL also plans to reduce costs by hiring more non-Japanese flight attendants and ground staff.

Mr Stuart John, deputy chairman of Haseco, the maintenance arm of Cathay Pacific, said his airline was forced to go into China because of space restrictions high inflation and the shortage of labour in Hong Kong.

Kohl urges old values as key to German revival

By Christopher Parkes in Frankfurt

CHANCELLOR Helmut Kohl will today appeal for popular support for government plans to protect Germany's future prosperity through a return to the more diligent values and attitudes which helped the country recover after the second world war.

Proposals for privatisation, deregulation and reform of the costly social security system are the main features of a 96-page discussion document, approved by the coalition cabinet yesterday.

"The virtues of public-spiritedness, solidarity and acceptance of technical progress appear not to have the importance they once had in German thinking," it says. Germans "have lost their readiness to accept change and to follow the path of reform."

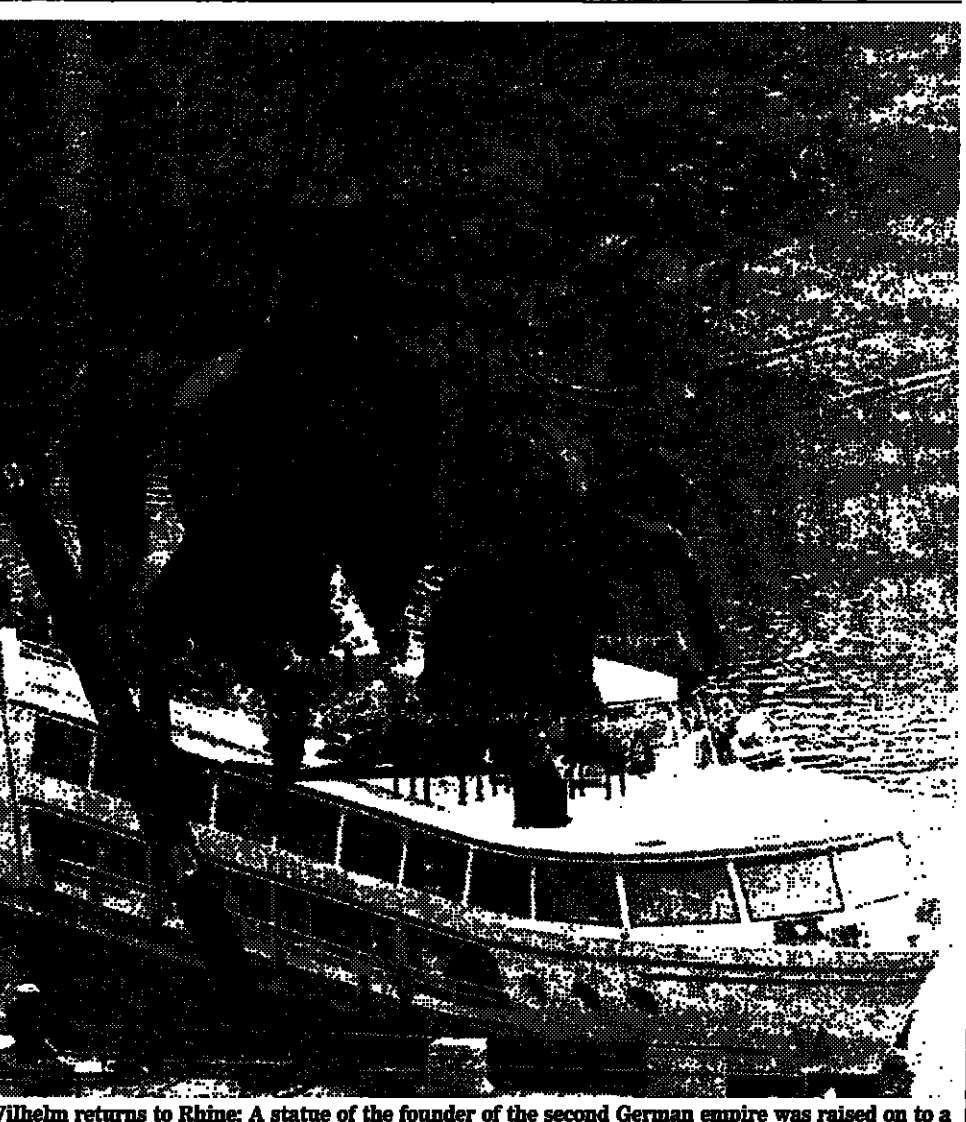
The paper, prepared by the economics ministry, calls for a shake-out of virtually all the country's economic and social institutions. It identifies weaknesses in the education system, an overstuffed civil service, and

rigid pay and conditions structures which bar the unemployed from returning to work. It also calls for an end to over-restrictive planning controls on industrial plant construction and for reform of laws limiting shop-opening hours.

Mr Kohl will endorse the proposals at a press conference in Bonn today.

The widely leaked document, "Securing the future of Germany's economic base", was attacked by the Social Democrat opposition as a declaration of the bankruptcy of the government's economic policy. The OTV public services union said whoever followed its recommendations was heading for a "fiasco".

"Yesterday's recipes" were no help in mastering Germany's current problems, said the DAG white-collar union. The paper is the government's latest attempt to get to grips with



Kaiser Wilhelm returns to Rhine: A statue of the founder of the second German empire was raised on to a pedestal in Koblenz nearly 50 years after US troops destroyed the original. Protesters claim its return could be seen to symbolise a resurgent nationalism since the country's reunification. Picture: Reuters

RJR sees 43% fall in tobacco income

By Martin Dickson in New York

RJR NABISCO, the manufacturer of Winston and Camel cigarettes, yesterday forecast that its 1993 operating income from US tobacco operations was likely to be 43 per cent lower than last year, as a result of the price war launched last April by its main rival Philip Morris.

The company, which also makes foods, said it would suffer depressed financial results for the rest of the year. But it added that it expected to report improved full-year results in 1994 because of an aggressive programme to improve margins in all of its operations.

The US cigarette industry has been in turmoil ever since Philip Morris slashed the price of Marlboro, the top selling brand in the US, by 20 per cent to combat a decline in market share. Other manufacturers, including RJR, were forced to follow suit with their premium brands.

RJR said operating income of its US tobacco unit, before amortisation of trademarks and goodwill, could be \$900m lower in 1993 than last year's \$2.11bn.

This is the first time RJR has

Dr Pepper brings in a poison pill to deter Cadbury

By Richard Waters in New York

DR PEPPER/Seven-Up, the third largest US soft drinks company, has adopted a poison pill defence to ward off the possibility of a takeover bid from Cadbury Schweppes, the UK drinks and confectionery group.

The creation of such defences has become rare as the takeover boom of the 1980s has waned, in part because most companies which fear a takeover already have them in place. Opposition from some institutional shareholders, who have waged a campaign to force companies to submit existing poison pill plans for shareholder approval, has also made them less fashionable.

Dr Pepper's plan, approved by its board on Wednesday, would be triggered if Cadbury raised its stake above the 25.9 per cent of voting and non-voting shares it already holds. All shareholders other than Cadbury would then have the right to buy one new share at a 50 per cent discount for each one they already owned, thus substantially diluting the UK group's holding.

The poison pill would also come into play if any other shareholder took its holding of voting shares above 10 per cent without

approval of Dr Pepper's board. Dr Pepper said the plan had been adopted largely because of Cadbury, which added to its 5.7 per cent holding of voting shares two weeks ago when it bought a 20.2 per cent stake of non-voting shares from Prudential Insurance, the biggest US insurer. The UK company said it had applied on Wednesday for approval under US antitrust regulation to convert its entire holding into voting shares. Cadbury had stalked Dr Pepper in the mid-1980s, before a management buy-out of the US company in 1988. It returned to the stock market in January.

Dr Pepper said its plan was "not intended to prevent a takeover on terms beneficial to the company's stockholders, but rather to assure that all of the company's stockholders are treated fairly should a takeover become imminent."

The plan was attacked by the United Shareholders Association. The pressure group said: "It's very shortsighted... It's something to protect people on the inside, not to protect shareholders." Cadbury commented: "It doesn't affect the value of the investment we have made, nor does it affect any plans we have in the immediate future."

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NEWS: EUROPE

Insurance surplus after spending cuts

German health care system in recovery

By Ariane Genillard in Bonn

GERMANY'S loss-making health care system has recorded a rare surplus following strict curbs on health spending introduced earlier this year. Mr Horst Seehofer, the federal health minister, announced yesterday.

State-subsidised health insurance schemes, which finance health care for 90 per cent of Germans, recorded a DM2.6bn (£1.04bn) surplus in the first six months of the year after reporting a DM5bn loss last year.

Health spending per person covered by the schemes decreased by 2.7 per cent for the period after increasing in 1992 by 9.2 per cent.

"The health insurance system is now healthy again. We have succeeded in changing the behaviour of everyone involved in the health care system and in proving that genuine structural changes are possible," Mr Seehofer said at a press conference.

Expenses for general medical treatment fell by 2.1 per cent in the first half of the year while spending on dental care dropped by 2 per cent.

More than 20 per cent less was spent on medicines. Spending on auxiliary health treatment such as massages

The association representing the 90 airlines using Germany's airports has lodged a formal complaint with the European Commission's competition directorate over alleged anti-competitive practices at Hamburg airport, writes David Waller in Frankfurt.

The complaint from the Board of Airline Representatives in Germany (Barig) follows a complaint from seven EC airlines about alleged abuse of ground-handling monopolies at Milan, Frankfurt and a number of Spanish airports.

The move is designed to highlight the lack of competition in ground-handling services at Germany's airports as a whole.

went down by 10.2 per cent. The health minister hailed the decreases as the result of a hard-fought reform of the German health care system which came into effect last January.

He said that he was hopeful that reforms would result in targeted savings in state subsidies of DM10bn.

Steady increases in health care spending in recent years prompted German politicians to unite in a rare show of cross-party support last year

and introduce unpopular reforms of the system.

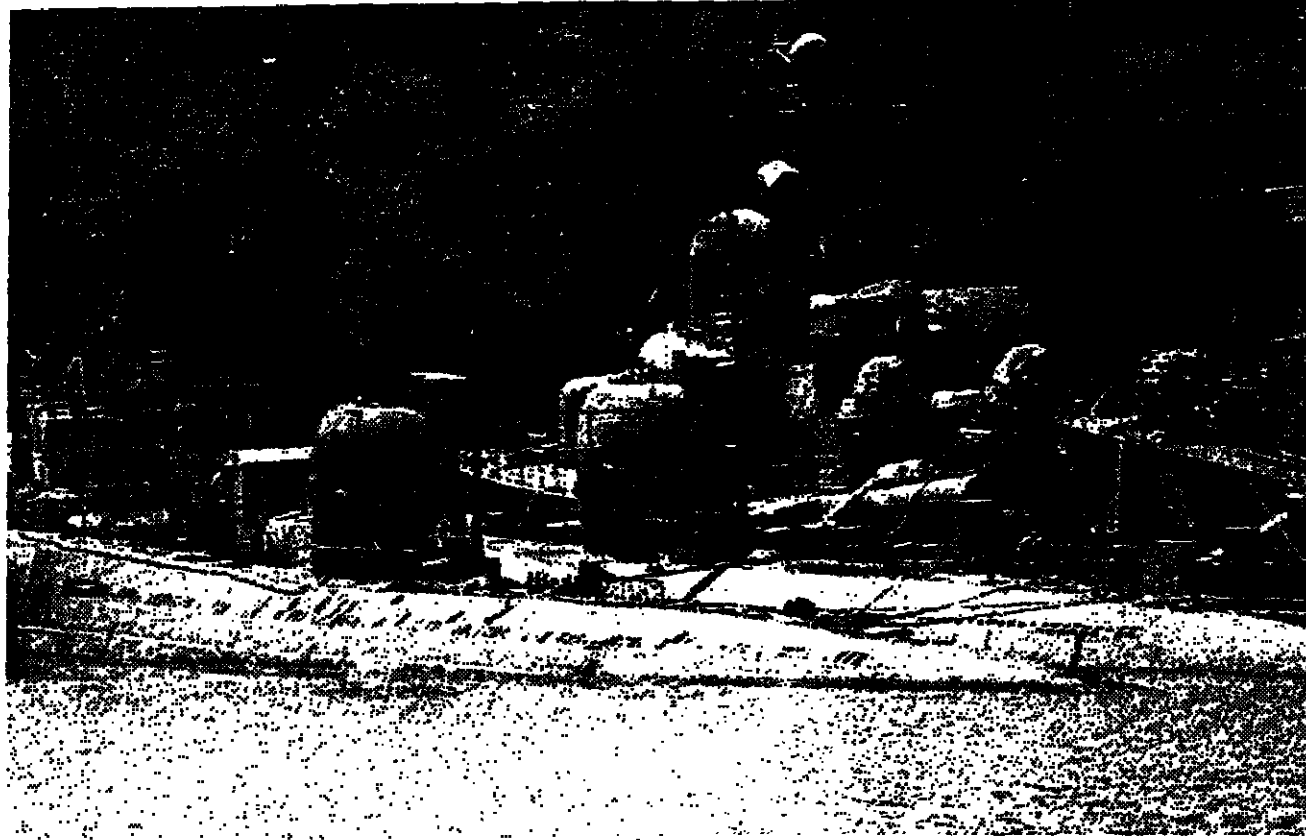
The reforms include severe budget ceilings for medicines and treatment prescribed by doctors and hospitals. Expenses incurred above those levels must be borne by patients, although heavy fines can be imposed upon doctors prescribing superfluous treatment.

The reforms have been attacked by the whole medical profession, including the country's dentists who have had to reduce their expenses by 35 per cent this year, partly as a result of the reform eliminating treatment "not necessary to health care".

The German federation of dentists yesterday said that patients were merely holding back from obtaining needed treatment because they feared having to pay for it.

The dentists also warned that the reduction in health spending was only temporary.

The reforms, which also list drugs which can no longer be covered by the national health system, have infuriated the German pharmaceutical industry. The industry claims that the policies being followed by the government in Bonn are largely responsible for the drastic decline in their revenues this year.



Two submarines from the former Soviet Union's Black Sea fleet are detained near the port of Varna by Bulgaria, which says repairs costing \$4.5m have not been paid for. Four other warships are being held in Bulgarian shipyards

Frankfurt money supply optimism

By David Waller in Frankfurt

THE Bundesbank can still meet its target for money supply growth for 1993, Mr Helmut Schlesinger, the president of the German central bank, said yesterday.

Mr Schlesinger's remarks, combined with an optimistic

assessment of the outlook for inflation in Germany, may serve to revive hopes of further reductions in short-term rates when the Bundesbank policy-making council meets again next week.

The rate of growth in broad money M3 was 7.5 per cent in July on an annualised, seasonally adjusted basis, compared

to a target range of 4.5 to 6.5 per cent.

Driven up by high bank lending and the impact of the Bundesbank's currency market intervention, the growth in M3 is restricting the central bank's freedom to cut interest rates. This was acknowledged last week by Mr Oskar Issing, the Bundesbank's chief economist

and member of its policy-making council, who said that the growth in money supply had made it impossible to cut rates last Thursday. Mr Schlesinger said that while the current level of inflation - running at annual rate of over 4 per cent - was unsatisfactory, there were signs that price pressures were calming down.

NEWS IN BRIEF

Labour stays ahead in Norwegian poll

By Karen Fosell in Oslo

NORWAY'S ruling minority Labour party has slipped slightly in the polls 10 days before the general election, but still has a clear lead over the main opposition Conservative party, helped by positive developments in the economy.

According to a poll in Aftenposten, Norway's leading daily, support for Labour has fallen by 1.7 percentage points to 33.4 per cent, while backing for the pro-EC Conservative party slipped 1.6 points to 20 per cent.

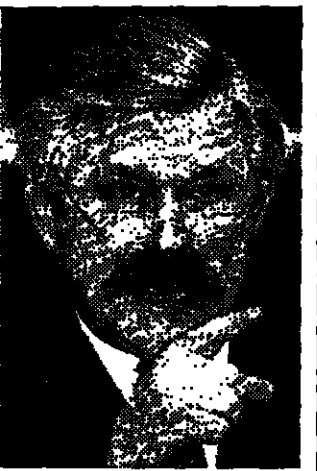
The poll showed support for the small anti-EC Centre party dropping 0.9 points to 10.6 per cent. The Socialist Left party, also opposed to EC membership, rose 2.7 points in the poll to 12.8 per cent.

Rutskoi debate in parliament

The Russian parliament will today debate President Boris Yeltsin's suspension from office of Mr Alexander Rutskoi, the country's vice-president, pending investigation of charges of corruption, writes John Lloyd in Moscow.

Mr Rutskoi, the parliamentary speaker, quoted by the Interfax news agency, said yesterday that the parliament would "certainly invalidate" the order.

Mr Yeltsin ordered the suspension of Mr Rutskoi on Tuesday together with Mr Vladimir Shumeiko, the first deputy prime minister - against whom corruption charges have also been levelled.



Rutskoi: faces investigation

Ciampi warns union leaders

The Italian government of Mr Carlo Azeglio Ciampi yesterday held the first of a series of meetings with union leaders aimed at tackling rising unemployment and improving the competitiveness of Italian industry, writes Robert Graham in Rome.

The government is attempting to head off industrial unrest over unemployment. At the same time Mr Ciampi is anxious to ensure greater flexibility in the labour market so Italian companies can take advantage of any recovery early next year.

The prime minister told union leaders any measures to combat unemployment had to be in the context of continued austerity. The government has a commitment to the EC to cut the budget deficit.

Anti-pollution talks deadlock

Environmental talks on reducing sulphur emissions are due to end today, with no agreement on target cuts, writes Frances Williams in Geneva.

A week of negotiations has failed to bridge the gap between nations seeking big reductions by the end of the decade, such as Germany and the Nordic countries, and those, including Britain, which want less demanding targets over a longer period. The 30-nation talks are aimed at hammering out a new sulphur protocol on long-range air pollution.

Bonn's rubbish row deepens

Germany's federal Environment Ministry will hold emergency talks today with representatives of trade and industrial associations in a last-ditch attempt to save the increasingly controversial national recycling scheme from going bankrupt, writes Ariane Genillard in Bonn.

The talks take place as waste management companies across the country are threatening to stop picking up household rubbish from Monday if no financial solution is found to rescue the scheme called Duales System Deutschland (DSD).

Belgium raises interest rates to defend franc

By Andrew Hill in Brussels

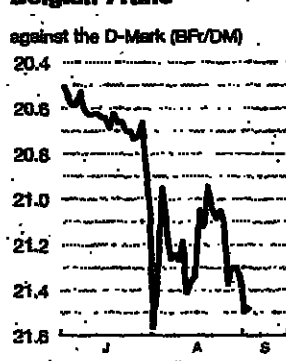
THE Belgian central bank yesterday raised its central interest rate from 9.5 to 10.5 per cent and intervened on the currency markets to support the Belgian franc.

The bank's action followed a week of speculation against the currency, and backed up statements by Mr Alfons Verplaetse, the bank governor, that Belgium would not abandon its "franc fort" policy.

The bank also increased its other interest rates by one percentage point. The franc closed yesterday at Bfr21.49 to the D-Mark, against a close of Bfr21.31 on Wednesday.

The tightening of monetary policy came on the same day that the country's national statistics institute announced a rise in unemployment from 13.5 per cent in July to 14.1 per cent in August. The latest figure compares to 12.1 per cent in August 1992. Some analysts believe pressure on the currency could increase before next month's negotiations between the government, trade

Belgian Franc



Source: Datastream 1993

unions and employers.

The talks will try to decide how to improve the waning competitiveness of Belgian business, without undermining state finances. Analysts believe a successful growth pact would relieve pressure on the franc, but belligerent press statements by different participants have fuelled worries about the outcome, particularly abroad.

Failure to agree a growth pact at next month's talks would badly damage Belgium's

centre-left government, headed by Mr Jean-Luc Dehaene. Attempts to tinker with the social security system, and to limit index-linked wage rises, nearly brought down the fragile coalition in March.

The latest burst of currency speculation began last week when 14 influential Flemish economists urged the authorities to stimulate growth by lowering interest rates and abandoning the three-year-old link between the franc and the D-Mark.

Belgian government bonds fell sharply as many investors were surprised by the rise in interest rates, adds Peter John in London.

There was a rush of selling at the start of the dealing session, with three-year Belgian debt prices down by up to two percentage points yesterday. One London trader said: "The market just collapsed. There was a complete lack of confidence."

The Belgian futures and options exchange experienced record volatility in its debt markets in high turnover.

Gamsakhurdia urged to return

REBEL leaders in western Georgia yesterday called on ousted president Zviad Gamsakhurdia to return from exile, saying they would fight to restore him to power, Reuters reports from Tbilisi.

The 60-strong rebel parliament voted to bring the exiled leader back to his home region of Mingrelia in western Georgia. Armed supporters, controlling much of the region, say they are strong enough to

put him back in power.

Earlier yesterday Georgian media relayed a government statement which said Mr Gamsakhurdia had told his supporters, partially surrounding the Black Sea port of Poti, to blockade the town.

But the exiled leader, living in the Chechen capital Grozny since early 1992 after being ousted from power in Georgia, denied he had ordered the blockade in preparation for his

return, Ikar-Tass news agency said.

He told Tass that the railway lines from Poti to Tbilisi had been blocked by Michael Gromyko, a pro-government forces.

Georgian leader Eduard Shevardnadze flew to Poti yesterday and then to the towns of Samtredia and Kutaisi.

The government says it is ready to send in troops against the rebels, who have seized a chunk of western Georgia.

Iranian troops gathering on Azeri border

By John Lloyd in Moscow

IRANIAN troops were last night reported by the Turkish government to be massed on the border of Azerbaijan as Azeri forces continue to cede territory to Armenian units in the south-west of the country.

However, the Azeris have denied reports by Russian news media that the Iranian government - which, like Turkey's, has vehemently protested against the Armenian attacks - has already sent troops into Azerbaijan itself.

A spokesman for the Turkish government said after a cabinet meeting that "the continuation of Armenia's occupation [of parts of Azerbaijan]" and Iran's build-up towards the Azeri border "are the first concern of Turkey".

Mr Yildirim Aktuna, quoted by the Turkish Anatolian agency, said that Iran was setting up a 20km security zone on the Azeri-Iranian border to contain the Azeri refugees who are reported to be flooding into the area.

Iran forms all of the southern border of Azerbaijan except for a small strip of Turkey.

Forces from the Armenian-dominated Nagorno Karabakh region within Azerbaijan, which has declared independence from the former Soviet republic and has since been fighting to claim it, have taken a great swathe of territory to the west of the republic, which has resulted in

a de facto attachment of Karabakh to Armenia.

In the past few days, the Azeri troops have surrendered the towns of Ceybrayil and Kubatli - leaving only the town of Zangelan, in the extreme south-west tip, still in Azeri hands.

These reverses in the face of Armenian-Karabakh forces which have advanced steadily on all fronts for three months appears to have played into the hands of Mr Gaidar Aliyev, acting head of state of Azerbaijan, who deposed President Abulfaz Elchibey in June.

Mr Aliyev, a veteran former first secretary of the Azeri Communist party, may attempt to use negotiations to stop the haemorrhage of his territory.

The Armenians may be willing to negotiate independent status for Karabakh on the return of land, or may now be prepared to defend their gains against the obviously reluctant fighters of Azerbaijan.

The people of Karabakh yesterday celebrated "independence day" two years since the day the independence of the enclave, and its "reunification" with Armenia. A Karabakh spokesman told Interfax that in five years of conflict with the Azeris, the area had lost 70 per cent of its basic industries, two thirds of its crops and 90 per cent of its cattle. Nearly one third of its population are refugees or homeless.

Brussels turning against welfare

By David Gardner in Brussels

THE European Commission is swinging in favour of recommending that some EC welfare policies be cut back because they discourage job creation.

Accounts emerging of a closed "seminar" commissioners held on Wednesday, to prepare a White Paper on EC competitiveness, growth and unemployment, indicate that the free-market element in the Commission is starting to seize the initiative.

Mr Jacques Delors, Commission president, who at a meeting of French Socialists last weekend called for a European social pact to fight unemployment, contributed little to the debate, according to officials.

But Mr Martin Bangemann, the German liberal in charge of industry, Mr Peter Schmidt, the German Christian Democrat responsible for the EC budget, Sir Leon Brittan, the British Conservative commissioner for trade, and Mr Abel Matutes, the Spanish conservative in charge of energy and transport policy, all pushed hard for a strategy based on cutting EC social security costs, keeping down wages, and labour market flexibility.

They found substantial support, officials say.

Mr Bangemann urged more short-term employment contracts, arguing that the crisis was driving Europe back to "tribal politics". Mr Schmidt, Mr Matutes and Mr Leon Brittan said Europe's welfare system discouraged people from working, while Sir Leon said there was nothing wrong with lower wages, the official said.

Only Mr Karel Van Miert, the Belgian Socialist competition commissioner, and Mr Padraig Flynn, commissioner for social and employment policy from Ireland's Fianna Fail party, took issue with this.

Mr Van Miert warned that cutting wages and social wages in real terms would reduce demand. Mr Flynn argued that with three-quarters of EC jobs in sectors not subject to international competition, there was little profit to be had from reducing the earning power of those who held them.

Heineken hopeful on recall losses

By David Brown in Amsterdam and John Ridding in Paris

HEINEKEN, the Dutch brewing giant which was last week forced to recall 3.4m of its beer bottles after the discovery of flaws, was yesterday at pains to stress that damage to its sales, profits and brand name would be strictly limited.

The immediate costs of the recall, which was triggered by fears that a production fault in the bottling could cause small glass chips to fall into the beer, would be limited to "several tens of millions of guilders", managers said. It added that this sum will most likely be recovered by year's end.

In Paris BSN, which is the French parent of the Dutch company which produced the bottles, said that no legal action had been taken against it, or its Dutch bottling subsidiary.

BSN added that discussions were being held with Heineken to determine what compensation might be paid.

The French company said that in any event the bottling factory and BSN were covered by insurance.

Poles queue to get their share

Christopher Bobinski on how ordinary people's savings have fuelled the stock market

MARTUR Nagorka, one of many Poles attracted to the Warsaw Stock Exchange by several months of apparently endless share price increases, breathed a sigh of relief yesterday as prices resumed their upward march after a dizzying 20 per cent fall at the beginning of the week.

It was only last week that the 27-year-old Mr Nagorka, who works as a bulk cargo forwarder for a western company, brought a wad of zloty notes worth the equivalent of £1,500 into the broking office of Warsaw's Food Economy Bank (BGZ). He invested the lot in shares in Wedel, the confectionery producer controlled by PepsiCo Foods International.

Like thousands of ordinary Poles whose savings have been fuelled a six-month boom on Warsaw's two-year-old stock exchange, he took the decision to risk his entire savings after noticing the money that others were making.

"I did not come in before because I don't think I really have a gift for this kind of thing," he said last week. "But

with the banks only offering 3 per cent a year for hard currency deposits and 30 per cent on zloty savings accounts it seems a sensible gamble to invest when stocks are rising by 30 per cent a week."

Last Thursday, the day Mr

worrying him, but he's holding on to his stock and other new investors are continuing to bring their savings into the front office of Poland's 30 licensed brokers.

Mr Tadeusz Gacyk, the deputy head of the BGZ's broking

The boom started when the banks lowered interest rates earlier this year and people began to look elsewhere for a home for at least some of their \$14.3bn worth of household savings. At the same time foreign investors, including

has failed to take advantage of the growth in demand for shares on the WSE to speed up the privatisation of state-owned enterprises. It has offered no more than a handful for sale through a public offering in the past six months. But private sector companies have been equally slow in coming to the market to raise funds through fresh equity issues.

This reticence is partly caused by the time consuming application formalities of the Securities Commission, admits its chairman, Mr Leslaw Paga. But the main cause for hesitation is the reluctance of both foreign and domestic companies to subject their finances to public scrutiny, or suffer the partial loss of control a flotation implies.

As for Mr Nagorka, the last few days have made him more fully aware of the risks. Last week he was confident of making a profit. This week's spin on the WSE's roller coaster has denied that belief. "Originally I'd been planning to sell the shares when I'd doubled my investment, now I think I may sell sooner," he says.

The queues outside the brokers' offices are being used as a more frequent guide to share prices than their PE ratios

Nagorka bought his shares, the stock exchange's WIG index hit a new high of 747.1 after rising 550 per cent since the boom began just before Easter. Turnover that day hit a record 1,227bn zlotys (241m) for the 19 stocks quoted.

At the next session, on Monday this week, turnover stayed high at 1,003bn zlotys, but most stocks fell to within a whisker of the 10 per cent maximum decline allowed under the WSE trading rules.

The plunge continued on Tuesday and it was only yesterday that all but one stock bounced back close to the 10 per cent ceiling. This "yo-yo" effect, says Mr Nagorka, is

office says his bank alone is registering more than 300 new investors a day and "doubling the number of our clients every three weeks". Overall, at the end of July there were 102,000 investors in the country with the number growing by 5,000 a month.

Share investment under these circumstances has spawned some novel assessment techniques. "I shall sell when I see the daily queue of new investors outside a nearby broker disappear," says one investor who has long abandoned more traditional methods such as studying price earnings ratios, which now stand at around 18.

investment and pension funds as well as banks such as Creditanstalt, began to purchase shares, setting the upward escalator in motion.

Official estimates put foreign ownership of stock at about 30 per cent of the WSE's current \$1.5bn capitalisation. But small domestic savers have been providing the real momentum behind the market. The Polish authorities have even been asking foreign investors to hold off their purchases. "We want them to wait and then come in when prices start coming down to stabilise the market," says one senior financial official.

The government, meanwhile,

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Karadzic warns Moslems former Yugoslav republic could be carved into two

Bosnian foes peer into the abyss

By Laura Silber in Geneva and
Gillian Tett in London

MR Radovan Karadzic, the Bosnian Serb leader, yesterday warned the Moslems that Bosnia could be divided in two following the collapse of peace talks on Wednesday.

"Carving up Bosnia in two pieces would never happen by my intention but it may happen by the events," he said in Geneva shortly before the Bosnian Serbs and Moslems prepared to leave the negotiations.

Mr Karadzic said the Serbs had offered the Moslems a 3km corridor linking enclaves in Serb-held eastern Bosnia, meeting one of Bosnian President Alija Izetbegovic's three territorial demands.

"The Moslems accepted the concession but they wanted more," he said, but added that the Serbs would never yield Moslem towns they conquered in the west of Bosnia as Mr Izetbegovic wanted.

Mr Karadzic and Croatian President Franjo Tudjman both said they had expected a deal until the last moment.

"I was surprised in a way because very important circles were convinced Alija Izetbegovic would agree to the plan," Mr Tudjman told Croatian radio on his return to Zagreb.

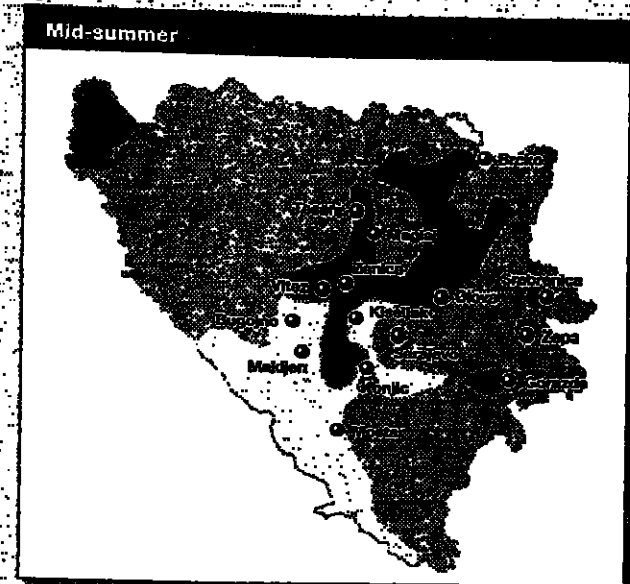
Breakdown of the talks has led to mounting concern over the threat of renewed fighting in central Bosnia and signs that the US would step up pressure on the Serbs and Croats for a settlement.

Mr Thorvald Stoltenberg, the United Nations' special envoy, said the breakdown of negotiations had been "a great tragedy", since the parties had come so near an agreement.

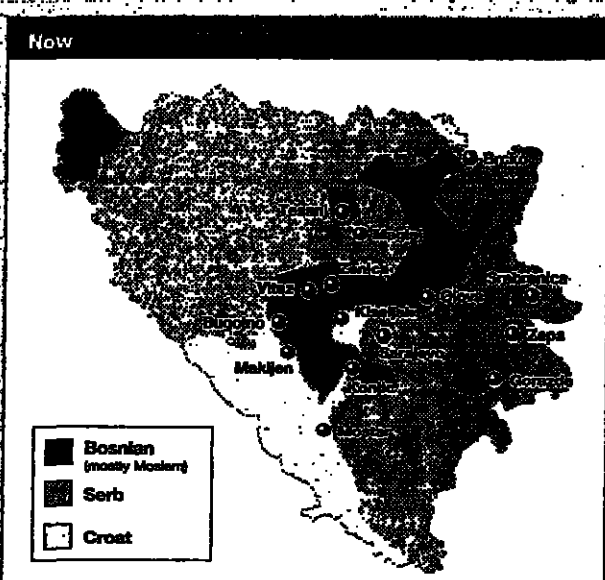
"I fear more war and more suffering, more people being killed, which is an awful result," he said. International mediator Lord Owen had earlier warned of "fragmentation, anarchy, warlords and chaos" in Bosnia - and indicated that part of the blame for the breakdown lay in the lack of support the agreement had received from western countries.

Mr Boutros Boutros Ghali, the UN secretary general, yesterday met Mr Stoltenberg to discuss the crisis. Mr Boutros Ghali is to issue a report to the

Bosnia-Herzegovina: fears grow of an intensified war



As the Geneva peace talks started up in July, the alliance between Croat and Moslem allies had broken down: the Moslem-led Bosnian army had pushed back Croat forces in central Bosnia. Croat forces stepped up the assault on Mostar's Moslem sector, and the Serbs continued the assault on other Moslem enclaves, cutting off Gorazde from Sarajevo, isolating Tuzla and surrounding Sarajevo, prompting Nato in early August to threaten the Serbs with air strikes.



By the time the talks stalled this week, Moslem forces had made considerable gains, while the Croats had succeeded in besieging Mostar. After taking Bugojno, Moslem forces are now attacking Konjic and appear to be preparing an assault on the Maidan ridge. Croat forces are reportedly being reinforced and preparing an assault to defend their enclaves in central Bosnia. Despite Serb threats of a new assault, Serb lines have remained fairly static, though fighting continues around Brcko.



The Serbs, who now control 70 per cent of the land and have achieved most of their military aims, would see their portion reduced to 52 per cent. The Bosnian Moslems, who control 10 per cent, would receive 28 per cent, though losing some recently conquered land and having only tenuous access to the Adriatic and their eastern enclaves. Some Moslem commanders hope to wrest more land, though, in practice, their forces would be little match for a Serb assault or reinforced Bosnian Croats.

Security Council warning of the potentially "devastating" effect on the civilian population.

A senior US official in Geneva yesterday held out the hope that the three leaders would have a change of heart because the remaining differences were "small". The three sides in the conflict said they still believed a peace deal would be possible, and pledged to try to broker a ceasefire.

However, Mr Cedric Thornberry, the UN special envoy, said in Zagreb there was a "real possibility" of fighting continuing throughout the winter, particularly in central Bosnia, where Moslem and Croat forces have engaged in skirmishes in recent days.

A UN protection force spokesman in Zagreb yesterday confirmed that sporadic clashes were continuing in central Bosnia, although not on a scale that suggested that either the Croats or Moslems had yet launched a serious assault. But, in another sign of the

rising tensions in the region, UN officials in Sarajevo accused Bosnian Croat forces of forcing more than 3,000 Moslem women and children from their homes in recent days.

Croat leaders denied the charges and claimed that Moslem forces were harassing the small Croat enclaves in central Bosnia.

Amid signs that the western world remained deeply divided over what action to take, diplomatic sources yesterday said that the threat of air strikes or sanctions against Croatia was now likely to re-emerge in the coming days.

Both British and German officials however yesterday stressed that a negotiated settlement remained the only solution to the Bosnian settlement.

Some British and US officials are understood to favour extending economic sanctions to Croatia, in an effort to force the Croats to lift their siege of Mostar and possibly make new concessions in the negotia-

tions. However Mr Klaus Kinkel, the German foreign minister, indicated at a meeting with Mr Douglas Hurd, the British foreign secretary in Germany on Wednesday that he remained opposed to this, preferring to use his diplomatic influence over the Croats.

The breakdown of the Geneva conference came almost one year after its launch. Serbia's President Slobodan Milosevic and Croatia's President Tudjman were livid with rage on Wednesday

night as Mr Izetbegovic sat impassively in Geneva's Palais des Nations.

Mr Izetbegovic, a Moslem, yesterday defended his decision to hold out for further territorial concessions in spite of warnings about the imminent danger of an upsurge in violence.

"The signing of this plan would be tantamount to a collective suicide for the Moslems," he said before leaving Geneva for talks with Mr Sulejman Demirel, the president of

Turkey who is one of Bosnia's main backers.

"Either we get a viable state, or no deal," he said. Mr Izetbegovic plans to address the Security Council in New York on Monday.

Mr Izetbegovic appeared to dismiss the threat of more war, saying that Sarajevo could survive another winter. Both sides said they would respect a ceasefire agreement.

Mr Izetbegovic had reluctantly agreed to Bosnia's partition into a union of three "eth-

nic" republics. Under intense pressure and faced with Serb and Croat military victories, on Wednesday he scaled down his demands to a "minimum of minimums" of 34 per cent.

"I did not understand," said Mr Karadzic when asked why the talks broke down. "I cannot believe the Moslems are refusing this offer, which is honest and fair." But the senior US official yesterday made clear that Serbs and Croats are now expected to hand over more territory.

US blames failure on Croats and Serbs

By George Graham
in Washington

THE US yesterday urged the three sides in the Bosnian conflict to go back to the negotiating table, but placed the blame for the breakdown in talks firmly on the "stubbornness and intransigence" of the Serbs and Croats.

Mr Warren Christopher, the secretary of state, said the Serbs and Croats "should show greater flexibility in working to achieve the adjustments that the Bosnian government has asked for in order to find a more equitable settlement".

Officials in Washington said the US supported the three principal demands of the Bosnian Moslem government for changes to the division of territory proposed in Geneva: a sea outlet for the Moslems at Neum, enlargement of the Moslem enclave around Bihać in north-western Bosnia, and a land corridor linking the eastern enclaves to the main Moslem territory.

The US is keeping open the options of lifting the Bosnia arms embargo or carrying out air strikes against Serb or Croat militias. But Mr Christopher said the first priority was the resumption of negotiations, with tougher action available for "future consideration".

"It's our evaluation that with the parties close to settlement and with the winter coming on it would be especially tragic if they don't grasp the opportunity to contain the settlement that seems to be within reach," he said.

Much talk, little action on help for war victims

By Frances Williams in Geneva

THIS week's conference on the protection of war victims called by the International Committee of the Red Cross demonstrated the gap between good intentions and political realities.

The 160 or so countries taking part declared they would take stronger action to enforce rules protecting civilians in wartime. But there must remain doubts as to how the declaration will be translated into practice.

Before the conference Mr Cornelio Sommaruga, the ICRC

president, urged the US, Britain and France to ratify the 1977 protocols which outlaw methods of warfare that cause unnecessary suffering and to extend the rules on protection of non-combatants to civil conflicts. None of the three said it would.

Similarly, there is a general recognition that better ways have to be found to make humanitarian law effective in civil conflicts, where the fighting may be done not by disciplined troops but by armed bands, and where civilians are all too often deliberate targets rather than accidental victims.

The general rules laid down in the Geneva Conventions and the later protocols apply to internal wars but getting them to stick is another matter.

The conference agreed to ask the Swiss government to convene a group of experts to study "practical means" of promoting full compliance with international humanitarian law, but this is unlikely to produce results for a year or so.

The declaration contained a specific call to outlaw anti-personnel mines, some 85m of which remain uncleared around the world, inflicting a daily toll of innocent victims.



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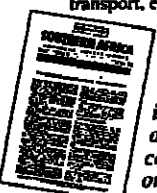
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Heineken
hopeful on
recall losses

By David ...

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NEWS: INTERNATIONAL

Recognition hours away, says PLO

Brussels promises 'full commitment' of aid

By Mark Nicholson in Cairo

ISRAELI recognition of the Palestine Liberation Organisation is "a question of days, if not hours" away, according to Mr Hakan Balawi, a top aide to Mr Yasser Arafat, the PLO chairman, yesterday.

Mr Balawi said from the PLO headquarters in Tunis that Israeli and Palestinian negotiators were "at the final stage before reaching a compromise for announcing official mutual recognition". He said an historic Israeli accord on recognition would be followed immediately by US agreement to resume contacts with the PLO.

Palestinian leaders in Tunis were yesterday considering the text of an announcement of recognition which, Palestinian officials in Washington said, Mr Amr Moussa, Egypt's foreign minister, had brought back from Tel Aviv after his hastily arranged visit to Israel on Wednesday.

Senior PLO officials in Cairo said they expected to reach agreement on recognition before signing the declaration of principles on the accord with Israel offering limited self-rule in Gaza and the West Bank. This, the officials said, could be accomplished as soon as next week in Washington.

The Cairo officials said that

they hoped to meet Israeli terms for recognition without making formal amendments to the Palestinian Charter, something that would require a full meeting of the Palestine National Council, the Palestinian parliament-in-exile.

"Those raising issues of wanting to change the charter are simply trying to raise difficulties in the peace process," said one PLO official. He said that Mr Arafat's renunciation of terrorism against Israel, made at the United Nations in 1988, amounted to a de facto renunciation of armed struggle against the Jewish state.

The next step is likely to be a PLO announcement reiterating its renunciation of violence and the "destruction of Israel". Israel is then expected to announce its readiness to engage in open talks with the organisation.

"The PLO official said a 'necessary' next step would be a summit meeting between Mr Arafat and Mr Yitzhak Rabin, the Israeli prime minister and said "contacts are being made to arrange this".

However, diplomats think such a meeting to be out of the question at least until some months into the negotiations which will immediately follow the signing of the PLO-Israeli agreement on limited self-rule.

By David Gardner in Brussels

THE European Commission yesterday promised "a full commitment" of aid to the Palestine peace process, but stopped short of pledging concrete sums of money, after meeting Mr Shimon Peres, the Israeli foreign minister.

After the meeting, Mr Peres hinted that mutual recognition between Israel and the Palestine Liberation Organisation could be imminent.

Mr Peres met Mr Jacques Delors, Commission president, and Mr Hans van den Broek, EC external affairs

commissioner, seeking a substantial EC aid pledge for the emerging peace settlement, closer EC-Israeli ties, and support for regional development.

Mr Delors said the EC would move quickly with technical assistance to help set up the future Palestinian authority in Gaza-Jericho.

Commission officials said it was a priority to establish the local apparatus through which to channel larger amounts of aid and investment in the future.

"As a first step, we need a relatively small amount of money for technical assistance to help them

start up their institutions," Mr Delors said, mentioning a substantial contribution to a multilateral Early Empowerment Fund worth about \$300m (\$198m).

He said the next priorities would be funneling of funds towards health, education, and the creation of small to medium-sized enterprises.

"The amount of public money may be relatively small; we need private investment with the support of financial institutions," such as the European Investment Bank, he added.

The EC is the largest supplier of public aid to the occupied territories,

providing some \$600m (\$544m) in all, including \$200m last year. But the demands of the former Yugoslavia, Somalia, and other crises worldwide have exhausted the Brussels aid budget.

At the Lisbon summit in June last year, EC leaders promised to play "a major role" in supporting financially a Palestinian peace agreement, and officials said it was now up to member states to decide whether to do this through the Community or bilaterally.

"If the member states want the Commission to do more, they have to

provide the means," an EC aid official said.

Mr Delors said "the Commission will seek a full commitment" from the 12 member countries.

Mr Delors also mentioned the longer-term prospect of establishing a Middle Eastern organisation analogous to the EC's original Coal and Steel Community, to exploit in common scarce resources such as water.

"There are a number of areas where there is scope for regional integration and that is where the Community thinks it should concentrate its efforts," an aide said.



A Palestinian family seeks shade in an abandoned house outside Jericho in the West Bank yesterday. The graffiti, by an unnamed Israeli right-wing group, ask if Israel would "deport" Jewish settlers from the Golan Heights in the event of an accord with Syria.

Arab divisions come into open

OPPOSITION to a peace agreement between Israel and Palestinians yesterday started to crystallise around extremist Islamic fundamentalist groups and Palestinians in the occupied West Bank, writes Julian Ouzane in Jerusalem.

However, fears of a strong challenge from the Israeli right wing appeared to be diminishing yesterday as opposition Likud party officials expressed concern about divisions on the right, financial problems and a lack of public response to protest calls.

Among Palestinians it became clearer that strong opposition to the deal is felt in areas of the West Bank, such as Ramallah and Jenin, which will have a lesser form of self rule than the Gaza Strip and West Bank town of Jericho.

An opinion poll of 750 Palestinians published in yesterday's East Jerusalem Arabic newspaper Al-Naba showed a slim majority of 52.8 per cent in favour of the accord, with over 41 per cent support in Gaza and Jericho, support for the agreement was more than 70 per cent but almost three-quarters of those interviewed in Ramallah and Jenin were against the peace deal.

Mr Faisal Hussein, a leading Palestinian political figure, continued meeting opposition movements yesterday to plead against violent action. However, it was clear that fundamentalist Islamic groups such as Hamas and Jihad Islamiya in alliance with splinter factions of the PLO were determined to wreck a deal they label as "treachery".

NEWS IN BRIEF

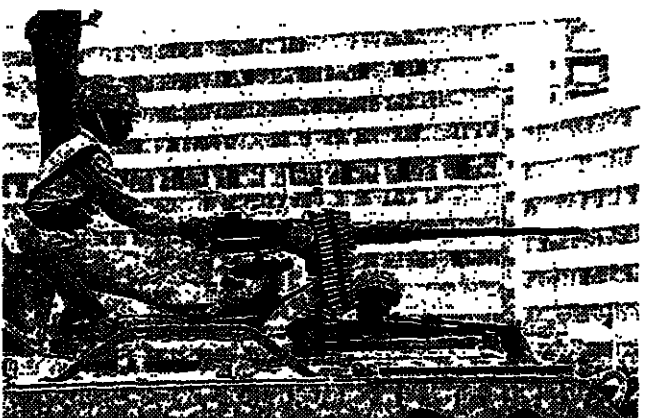
Islamic parties call strike in Karachi

BUSINESS and corporate life in Karachi, Pakistan's largest commercial city, came to a halt yesterday, in response to a strike called by the Pakistan Islamic Front - a coalition of Islamic political parties, Farhan Bokhari reports from Islamabad.

Public transport was shut down forcing shopkeepers, labourers and port workers to stay at home. There was only thin trading at the Karachi Stock Exchange, Pakistan's leading stock market.

The strike was called to protest at economic reforms announced by Prime Minister Moeen Qureshi. Islamic leaders claim that the recent devaluation of the rupee and a 21 per cent petrol price rise this year have "intensified misery for the common man".

Elsewhere in Pakistan, the response was partial. In Lahore, Pakistan's second largest city, some shops were closed, but most businesses and public transport were unaffected. It was not clear last night if yesterday's events would encourage the Islamic leaders to step up their campaign.



Soldiers guard government buildings in Karachi yesterday during the strike by Muslim fundamentalists.

China crows over 'poison cargo'

China yesterday claimed victory over the US following a bitter argument about the cargo on board a Chinese ship bound for the Middle East. Washington had alleged that the vessel was transporting chemicals to Iran for weapons production. Tony Walker reports from Beijing.

Wu Jianmin, foreign ministry spokesman, told reporters that a team, including Chinese and Saudi technical experts had conducted an inspection and found no evidence of the chemicals on board - thiodiglycol and thionyl chloride.

The US, whose naval vessels had interrupted the Yin He's passage through the Gulf, had claimed the Chinese ship was transporting chemical "precursors" to the Iranian port of Bandar Abbas for use in the manufacture of mustard and nerve gas.

Wu said the inspection was conducted at Damman in Saudi Arabia in the presence of "personnel dispatched by the United States" who served as "technical advisers" to the Saudis.

Taiwan acts on corruption

Taiwan's cabinet yesterday passed an administrative reform plan calling for stiffer penalties for official misconduct and big rewards for those informing against corrupt officials, Dennis Engbarth reports from Taipei.

The move follows a series of high-profile corruption cases that have damaged the ruling Kuomintang's standing. A recent poll of 1,146 respondents by a leading business monthly showed that over 46 per cent felt the KMT was "unclean".

Premier Lien Chan said the anti-corruption effort will reach into all fields of government.

The government will offer rewards of up to NT\$5m (£147,500) for information leading to conviction of a corrupt official, pending legislative approval. Officials at all levels will have to report any non-family gift worth more than \$75, to the head of their ministry or agency and its anti-corruption office. The plan also mandates strict supervision and punishment of officials in 14 categories of public service, including big public construction projects and procurements by government agencies.

S Africa may end media control

South Africa's democracy negotiators approved a draft bill yesterday to end state control of radio and television, Reuter reports from Johannesburg.

The bill, setting up an independent broadcasting authority (IBA), is one of a package of measures intended to ensure that South Africa's first all-race election in April next year is free and fair. It is planned that the IBA remain in place after the elections.

The IBA bill and others passed by the 23 groups negotiating the transition from apartheid to majority rule are due to be passed in parliament later this month.

Home Affairs Minister Danie Schutte said the IBA bill would establish a broadcast industry free from political control and influence.

Nigeria oil workers to remain on strike

By Paul Adams in Lagos

NIGERIA'S oil workers are to stay on strike until Monday despite the return to work announced yesterday by the rest of the labour movement. The blue-collar oil workers' union, NUPENG, angrily rejected the agreement by the Nigeria Labour Congress to call off the three-day general strike in return for a suspension of last week's 10-fold increase in the price of petrol.

Although the oil workers' strike has not stopped the production of crude oil, which accounts for more than 90 per cent of export earnings, it has halted public transport and kept fuel stations dry in many parts of Nigeria this week. In the big cities in the south, available reserves of fuel are disappearing. The biggest hospital in Nigeria, in Lagos, has run out of fuel and fear of reprisals is preventing tanker drivers from strike-breaking.

The oil workers' strike keeps the pressure on Mr Ernest Shonekan's interim government to reach a compromise with pro-democracy groups and the deposed winner of the June presidential elections, Mr Moshood Abiola.

A meeting between labour congress leaders and the government on Wednesday failed to resolve their differences over the June election results.

Keidanren to stem party funds

By Eniko Terazono in Tokyo

THE KEIDANREN, Japan's leading business grouping, yesterday endorsed a plan to stop contributions to political parties from next year.

The decision will cut off funding of more than ¥13bn (\$83m) a year to the Liberal Democratic party, which lost power last month. Mr Gaishi Hiraiwa, Keidanren chairman, said the move was in response to heightened public criticism that corporate gifts to political parties led to corruption.

The Keidanren's move will also affect some parties in the new coalition government which depend on corporate contributions. Mr Morihiro Hosokawa, prime minister, who has pledged to clean up politics by cutting links between companies and politicians, has been forced to pare

this down and is now calling for a ban in corporate donations in five years' time.

However, Mr Masayoshi Takemura, chief cabinet secretary, said the Keidanren's decision was inevitable, while Mr Yoshiro Mori, secretary general of the LDP, criticised the move, saying the current system had contributed to a "clean" flow of funds.

The Keidanren, the federation of economic organisations, has acted as a conduit of funds from its members to political parties since 1955. The decision is likely to prompt similar moves by businesses and other industry associations.

Mr Hiroshi Saito, Keidanren vice chairman, president of Nippon Steel and chairman of the Japan Iron and Steel Federation, said the steel industry would follow the Keidanren's line. But Mr Yotaro Iida,

another Keidanren vice chairman and chairman of Mitsubishi Heavy Industries, said he opposed an immediate halt of corporate donations.

The Keidanren is calling for the introduction of public subsidies for political parties and an increase in donations from individuals. Mr Hiraiwa expressed support for the ruling coalition's plan to use ¥60bn a year in public funds, or ¥500 a head, to support the parties.

This plan has run into increasing criticism, and the coalition may be forced to cut the amount. But Mr Hiraiwa yesterday said ordinary Japanese might be able to shoulder an even larger amount.

The Keidanren said that it would help the LDP repay loans totalling ¥14.5bn from leading Japanese banks. The business group will solicit



Saito: steel industry to comply

donations of ¥10bn over the next three years, but it will leave the LDP to repay the remaining ¥4.5bn by itself.

LDP announces poll reform plan

JAPAN'S Liberal Democratic party yesterday published proposals for electoral reforms after having lost its parliamentary majority in an election prompted because it refused to reform a scandal-prone electoral system, writes Robert Thomson in Tokyo.

The proposals by the LDP, which had ruled for four decades, are similar to those of the seven-party coalition government of Mr Morihiro Hosokawa, who wants a blend of single-seat constituencies and proportional representation to replace the present multi-seat constituency system.

However, the coalition wants 250 repre-

sentatives to be chosen by each method for a total of 500 MPs in the lower house, compared with the present 511. The LDP suggests that 300 representatives come from the constituencies and 171 from proportional representation.

Another difference in the drafts is that the coalition supports a two-vote system, one for the constituency and one for proportional representation candidates, while the LDP wants only one vote, believing larger parties will profit from this system.

The LDP, along with the coalition, suggests that public subsidies be used to cover campaigning costs, though LDP members oppose a ban on corporate dona-

tions, which was initially promised by the coalition but is now under review.

Under the LDP proposal, each citizen will be asked to pay ¥250 (£1.57), creating a pool of ¥300m (£188m) in election funds. The coalition has suggested that the charge be ¥300, doubling the size of the pool.

The proposals will be debated at a parliamentary session expected to begin in the middle of this month. The LDP, which has been belligerent in opposition, is unlikely to give way easily to the Hosokawa coalition, knowing that the seven parties are yet to settle their own differences on the details of reform.

Islam turns S E Asia's secular heads

Several violent incidents have served as a reminder of growing religious power, writes Victor Mallet

THE normally peaceful life of southern Thailand, where glided Buddhist temples give way to the domes and minarets of mosques amid the rice fields and rubber plantations, has been rudely disrupted since the beginning of last month by a series of violent incidents.

They include an ambush that killed two soldiers, an attack on a train in which a woman died, the throwing of a grenade into a Buddhist temple and co-ordinated arson attempts on 35 schools.

There is no doubting the seriousness of the attacks, but there is little agreement about who is to blame.

Thai Muslims say at least some of the incidents have more to do with domestic Thai politics than with religion, but they have served as an unwelcome reminder to South-East Asia's secular governments of the growing power of Islam in the region.



on Muslim morals.

The killing of Muslims in Bosnia, the Israeli bombardment of Muslim villages in southern Lebanon, and the persecution of Muslims by the Burmese military government have also angered Asian Muslims.

"Islam is a growing strength in this part of the world because they [Muslims] were so frustrated with the past and present system that dominates them," said Mr Subky Abdul-Latif, an executive committee member of the Parti Islam se-Malaysia (PAS), the fundamentalist Malaysian opposition

party. "Muslims are being suppressed all over the world."

PAS, which has controlled the state government of Kelantan on the Thai border in a coalition with another Malay party since the 1990 elections, is attempting to introduce sharia law for all the inhabitants of the state although this would appear to contravene the Malaysian constitution's guarantee of religious freedom.

Thai military officers have accused PAS of harbouring separatist guerrillas from Thailand in Kelantan. PAS says - ambiguously - that it respects the international border. "We don't want to interfere, but we don't want them to bully the Muslims there," said Mr Abdul-Latif.

Malaysia's neighbour Indonesia, meanwhile, has long used brutal methods in its attempts to suppress an Islamic separatist rebellion in Aceh on the northern tip of Sumatra. According to Amnesty International, the human rights group, Indonesian troops have summarily killed about 2,000 civilians there.

On the main Indonesian island of Java, Muslims attacked several Christian churches and homes in Novem-

ber and December last year, apparently in response to a rise in Christian fundamentalist proselytising.

The Indonesian and Malaysian governments, perceiving the growth of Islamic influence, have - at the same time as trying to crush their opponents or defeat them politically - attempted to co-opt fundamentalist Muslims by becoming more Islamic themselves.

President Suharto of Indonesia and Dr Mahathir Mohamad, the Malaysian prime minister, have each established Muslim organisations to promote Islam as something compatible with the technological, social and economic development they are pursuing.

Both governments are encouraging the development of "interest-free" Islamic banking in parallel with conventional banking practices. Only last month, Malaysian officials said they expected all financial institutions in the country to offer some kind of Islamic service within a year.

In Kuala Lumpur these days, it is more common than it used to be to see women wearing Islamic headgear covering their hair and shoulders. Malaysian Muslims can be, and occasionally are, punished

under state sharia laws for drinking alcohol or for being in close company with someone of the opposite sex (excluding relatives), even government officials, or opposed to PAS say they want to increase the authority of the sharia courts.

The Malaysian capital is still a lively, cosmopolitan city, but some middle-class Muslims, not to mention the minority Christians of ethnic Chinese origin, are worried by what they see as an emerging mood of Islamic orthodoxy.

Although there is little sign of separatist fervour among Thai Muslims, who are the majority in the south but make up only 4 per cent of Thailand's population, they resent what they regard as Buddhist domination of their lives, especially in education.

Islam has grown stronger over the last decade, and devout Thai Muslims say they want primary as well as secondary school girls to wear the modest attire known as hijab. They would like an end to compulsory Thai dancing lessons and factory workers to be allowed time off to pray. And they say Muslims should have the chance to use Islamic financial institutions.

Chile shelves bill on civil rights abuses

By David Pilling in Santiago

THE Chilean government has effectively abandoned its attempt to resolve the nagging issue of human rights abuses during the previous military regime, after serious splits emerged within the governing Concertación coalition.

The government has removed the "fast-track" status of a bill aimed at speeding up human rights trials, making it unlikely the bill will be passed before December's presidential elections. The original aim had been to pass the bill early this month.

The move will be seen as a political defeat for President Patricio Aylwin, who only last month presented the bill to the nation in an emotional address. It also threatens to destabilise the electoral campaign of the Christian Democrat-dominated Concertación.

The main sticking point of the "Aylwin law" was the stipulation that trials of officials accused of human rights abuses during the military government of General Augusto Pinochet be held in secret. The purpose of the secrecy was to persuade military officials to

present fresh evidence which might help to locate the bodies of "disappeared" people.

Around 200 human rights trials are currently bogged down in Chile's courts. In most cases there is no intention of punishing military officials, who are protected by an amnesty promulgated in 1978.

Last month, the secrecy clause of the bill was thrown out by the chamber of deputies after left-wing members of the Concertación, principally the Socialist party and the Party for Democracy, voted against it. Mr Aylwin, who argues that the law is unworkable without secret trials, has since desperately attempted to persuade his coalition to reinstate the clause in the senate.

Yesterday's announcement, which effectively kills off the bill, demonstrates that the president was unable to forge such an agreement. The result is likely to be that the human rights issue, which has dogged the handover to democracy since 1990, will continue to fester. Trials will proceed at a snail's pace and it will be up to the new president to try to bring the issue to a close.

Factory orders decline sharply in July

ORDERS received by US factories fell in July at the sharpest rate for more than 1½ years, the Commerce Department announced yesterday. Reuter reports from Washington. The principal reason was a fall-off in demand for cars, aircraft and railway equipment.

The 2.1 per cent decline, to a seasonally adjusted \$250.15bn, followed a revised 2.9 per cent gain for June. Wall Street economists had been expecting a 1.7 per cent drop. It was the sharpest decrease since the 3.6 per cent in December 1991, department officials said.

Excluding transport goods, factory orders in July rose by 0.2 per cent after a 1.2 per cent increase in June. The Commerce Department reported on August 25 that orders for long-lasting durable goods, which account for about half of total factory business, dropped sharply in July by 3.8 per cent. It revised that in the orders report to 3.1 per cent. But orders for non-durable goods also fell in July, down 1 per cent after rising 1.4 per cent in June.

On Wednesday, the National Association of Purchasing Management said its monthly survey of corporate purchasing executives showed the manufacturing sector declined in August, the third monthly contraction in a row.

Consumers still lack confidence in the economy's direction, surveys indicate. This is reflected in a softening of car and retail sales as well as a relatively tepid pace of new-home sales despite the cheap interest rates in decades.

The Clinton administration on Wednesday cut its own estimate of expected growth in total goods and services output this year to 2 per cent from 3.1 per cent projected last April.

During the second quarter this year, gross domestic product expanded at an annual rate of only 1.8 per cent after rising by 0.8 per cent in the first three months.

No red carpet to roll for Aristide

Many Haitians are unenthused about president's return, writes Canute James

HAITI'S new prime minister, Mr Robert Malval, plans to have his government in place by the end of this week, marking another significant step towards ending the two-year political crisis which began with the overthrow and exile of President Jean-Bertrand Aristide.

However, there has been obvious reluctance on the part of Haiti's legislators, military and supporters of the coup, to implement the UN-brokered agreement preparing the way for the president's return on October 30. They have been prodded by international pressure in a direction in which they do not want to go, and rewarded by the lifting of an economic embargo which has crippled the already impoverished country.

This obvious lack of enthusiasm, and the delicate nature of the remaining arrangements for the president's return, will make the next eight weeks a testing time for the new prime minister and the exiled president. Mr Aristide, who was clearly uncomfortable with parts of the agreement, will have to walk through a political quagmire which will test his so far unproven skills in statecraft and diplomacy.

There are sufficient people in Haiti with a strong enough dislike for the president to make his stay in office uncomfortable. There are rogue elements in the military which are out of the current leadership's control, and which will hardly want to take orders from any new commander which the civilian government will appoint. They have been unhappy with the agreement



Mr Aristide will have his so far unproven skills in statecraft and diplomacy severely tested

reached by Mr Aristide and General Raoul Cedras, who is stepping down as the head of the army. They claim the accord has given the general a safe escape from the problem.

Their dislike for President Aristide is hardly likely to be tempered by assurances that there will be no victimisation after his return. The UN agreement cannot speak for Mr Aristide's supporters, angry at the coup and the military's subsequent record of repression and murder. Several military officers appear convinced that despite all the undertakings, and the promised protection by an international force, the president will act against them. Similar fears are shared

by affluent Haitians who supported the coup and denounced the president.

Violence, either state-sponsored or popular, has never been far below the surface in Haiti. The Inter-American Human Rights Commission reported last week that at least 50 people had been killed since the agreement in July, and about 1,500 since the coup. The leaders of the coup may have good reason to be worried about their safety when civilian rule returns.

There will also be increasing concern on the part of those military officers who have benefited from the use of Haiti for transshipping narcotics from South to North America, and

who will consider their business threatened. Diplomats in Port-au-Prince, Haiti's capital, have said repeatedly that the anti-Aristide sentiment can be marshalled effectively and viciously by Lt Col Michel François, the chief of the police force which is a part of the army, and who engineered the coup before handing over to Gen Cedras.

The ranks of Mr Aristide's opponents have been increased by a resurgence of the *Tontons macoutes*, the feared and ruthless praetorian guard of the Duvalier dynasty. Mr Evans Nicolas, the self-styled leader of the revived *macoutes*, said he and his faction were ready for "civil war" to thwart the

return of the president. His support is significant in rural Haiti where the military has tolerated the establishment of virtual fiefdoms by the *macoutes*, who are collecting taxes and responding brutally to any signs of support for Mr Aristide.

There is little love lost between Mr Aristide and the Roman Catholic Church. Cardinal Nicolas Lopez Rodriguez, president of the Latin American Episcopal Council, said recently that the United Nations had "blundered" in reinstating Mr Aristide, whom he described as being "inexperienced in state affairs, insensitive and incompetent".

Behind the considerable and influential efforts of the United States to have the coup overturned and Mr Aristide returned to the presidential palace, there is latent concern in Washington about the president's willingness, or his ability, to try to curb his more zealous supporters who might want to have a go at his detractors. The 1991 coup was preceded by charges from opposition groups - and which were apparently convincing to some US legislators - that Mr Aristide was actively inciting his supporters to violence.

The difficulties which threaten an orderly return of the president were apparent to Mr Dante Caputo, the UN envoy who guided the negotiations. "In a country which has had very short periods of democracy," he concluded when the negotiations ended, "it is very difficult for different political parties to believe that the words that are said in the paper are going to be respected."

Call for Guatemalan congress to resign

By Edward Oriebar in Guatemala City

GUATEMALA'S President Ramiro de Leon is winning increasing support for his call for the resignation of all 116 members of congress and supreme court magistrates.

The President's move followed weeks of criticism in the media and among civil organisations which have called for a purge of both organisations, widely believed to be riddled with corruption. Union leaders and indigenous groups have backed the President this week.

So far about 70 congressmen have offered their resignations, mostly to the *Instancia Nacional de Consenso*, an umbrella group of civic organisations which was instrumental in restoring democratic government after former president Jorge Serrano's failed attempt to seize authoritarian powers in May.

Mr de Leon, formerly Guatemala's highly respected and combative human rights ombudsman, was elected by congress on June 6, following the constitutional crisis triggered by Mr Serrano's attempted takeover.

However, Mr de Leon is taking a gamble that popular support will force congress to resign. He has threatened a referendum on the issue if congressmen do not stand down. The vote could not be held before November, and the delay would undermine the President's ability

to push through legislation.

"If he gets the active support of the people he may succeed," says Mr Emilio Arroyave, a political analyst at Asies, a local think tank. "If not we will have a serious confrontation on our hands which could undermine the President."

Mr de Leon called his attempt to clean up congress and the courts "a national crusade against impunity and corruption in response to popular clamour," in a recent televised address.

Californian exodus

THE state of California, a magnet for immigrants since the days of the gold rush, is experiencing an unprecedented exodus of residents leaving for other parts of the US, writes Louise Kehoe in San Francisco.

Job losses as a result of defence cuts are the driving force behind the population shift, state officials said in a report published this week by the state Department of Finance. Most of those leaving the state are from Southern California. According to the report as many as 600,000 people moved from California, during the fiscal year ending June

30, producing a net loss of 150,000 residents in the state.

"The economy is the driving force in these losses," said Ms Mary Heim, a Department of Finance demographer. California lost almost 200,000 jobs in the last fiscal year, according to independent researchers.

Domestic immigration is also down by 15 per cent in 1993, compared to 1992. However, California's population is expected to continue to grow as a result of births and immigration from other countries. At least 200,000 legal immigrants are expected this year, plus an estimated 100,000 illegal immigrants.

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NEWS: WORLD TRADE

Japan cautious on China slowdown

Robert Thomson on Japanese companies' views of Beijing's economic cold bath

WHEN the Chinese government has thrown water on an overheated economy, Japanese companies have generally been drenched. Imports have suddenly stopped, loan repayments have slowed, and even technology transfers to large state projects, such as the giant Baoshan steel mill, near Shanghai, have been halted or delayed.

The current attempt to calm the Chinese economy is part of a cycle of surge and slowdown during 15 years of reform, but Japanese companies expect fewer surges this time around. They say Beijing is more sophisticated in handling economic policy and has less control over ambitious provincial governments, which are some of Japan's best customers.

"I think the Chinese government has understood that it made mistakes in the past. We are fortunate that [vice premier] Zhu Rongji is in charge of economic policy. His character is different from past leaders. He understands how an economy works," said Mr Kenji Hattori, planning manager at the semi-governmental Japan-China Association for Economy and Trade.

Mr Zhu took control of economic policy in early July, lifting interest rates and attempting to slow an economy expanding more rapidly than the frenetic 13 per cent of last year. The first sign for Japanese companies was an increase in Chinese customers unable to raise finance, and a slowing of orders after a 51.2 per cent increase in exports during the first half.

Japanese banks are concerned that their enthusiasm for China could have prompted lending to projects viable during the good times but vulnerable to failure if Beijing turns off the flow of foreign exchange. The banks, burdened by bad loans from their own "bubble" era during the late 1980s, were reluctant to lend to international companies and even to domestic clients, but remained keen to find new customers in China.

"There was a real sense earlier this year that China had entered a period of endless rapid growth. I think there may be some losses, some cancelled contracts," an executive at a Japanese commercial bank said.

With consumer spending and capital investment falling at home, Japanese manufacturers were delighted to find free-spending consumers and officials in China taking some of their excess production over the past two years. An official at the Japan Association of Corporate Executives suggested that the weak Japanese economy would be even weaker without demand from China, particularly for consumer electronics, steel and cars.

Japan's steel industry is anxious about twists and turns in China's economic policies. In 1989, during another slowdown, Chinese buyers cancelled orders, and a decade earlier, plant contracts for the Baoshan steel mill in Shanghai were put on hold by a Chinese government short of hard currency.

In the last year, demand was



Zhu Rongji: "understands how an economy works"

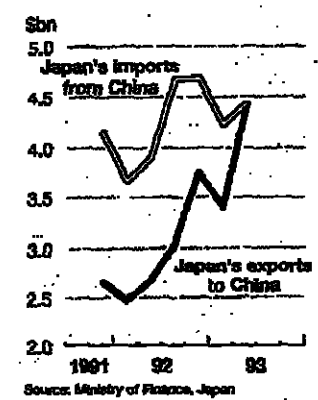
strong for steel used in construction, and Japanese manufacturers fear that Beijing's new controls on funds will slow the development projects and steel exports, which doubled in the first half of this year. However, orders within Japan fell 5.3 per cent during the same period.

Nippon Steel, the country's largest steel maker, said a fall in sales was inevitable, but demand in the past two years had been "unusually high". In the longer term, the company said, exports to China should remain steady, although it was difficult to forecast demand for late this year and next year.

Japanese car makers have had a similar experience, declining demand at home and an eightfold increase in passenger car exports to China in the first half. In June, exports to China were 94 per cent higher than a year earlier, but in July the year-on-year increase was a relatively modest 54 per cent. Exports to Europe during the same month were down 32 per cent.

The car makers are most concerned about a suspension of imported car purchases by Chinese government agencies for the rest of this year. But they draw comfort from the apparent difficulty Beijing will

Japan's trade with China



Source: Ministry of Finance, Japan

have in policing this edict, particularly in southern China. NEC, the electronics company, said its sales would be generally unaffected because a large share of orders was for state-sponsored infrastructure projects likely to be given priority by Beijing.

But attempts to control growth have yet to slow Japanese investment, which Mr Hattori expects will almost double from the \$1.1bn in the year to last March. The confidence in longer-term growth, he said, and the belief that local production provided the best access to the Chinese market, would encourage companies to expand investment.

"There will be a big delegation of Japanese automobile companies going to China later this year, companies like Toyota, Nissan and Honda," Mr Hattori said. "They can see foreign car makers have already invested, and they want to research investment possibilities."

Bangkok motorway opens in spite of dispute

By Victor Mallet in Bangkok

THE Thai government yesterday opened a \$1bn elevated toll road in Bangkok, despite complaints by the Japanese-led consortium which built it that a dispute over the contract was unresolved.

Mr Chuan Leekpai, prime minister, declined to open the 28km road himself, apparently aware that foreign investors and bankers are concerned about the way the government has summarily overruled the objections of the Bangkok Expressway Company (BEC) consortium.

His place was taken by Mr Chaochaisri Sudaibha, deputy interior minister, who maintained that the state-owned Expressway and Rapid Transit Authority (ETA) had "fully followed" the contract.

The government's critics, however, claim that the ETA has opened the road hastily in an attempt to win public acclaim for the authorities by alleviating Bangkok's increasingly nightmarish traffic jams.

The ETA this week won a court order for the immediate opening of the completed stretch of motorway after warning of possible violence by frustrated drivers.

Many Bangkok residents were delighted that investors and bankers were engaged by what they regard as bullying tactics and said international financing for some \$30bn of planned Thai infrastructure projects would be jeopardised.

BEC, led by Kumagai Gumi, has accused the ETA of breaching the contract on several counts. Yesterday it described the opening of the road, known as the second-stage expressway, as premature and said there was "a real danger to public safety" because construction work has not been completed.

In a statement, BEC's management said the company and the project had been left "in an extremely uncertain and precarious position".

Declining US surplus fuels Nafta debate

By Nancy Dunne in Washington

THE declining US trade surplus with Mexico has become a significant element of the debate over the North American Free Trade Agreement, linking the US, Mexico and Canada.

Last year the US manufacturing trade surplus to Mexico rose to \$7.5bn, a feat President Bill Clinton and other Nafta proponents cite as proof that North American trade has already created thousands of jobs. But the growth of US sales to Mexico is slowing. The trade surplus has declined from \$390m in January to \$120m in June as Mexico sinks towards recession.

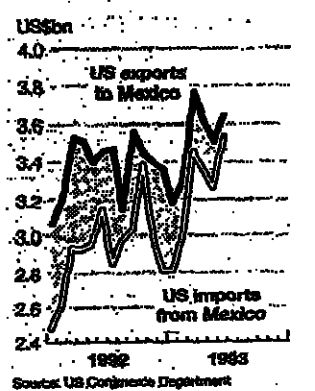
To Ms Thos Lee, an economist in the labour-supported Economic Policy Institute, the trend is "going the way we predicted; exports are rising but imports are rising faster". Ultimately, she contends, the trade surplus will be in Mexico's favour, and the US will lose 550,000 jobs.

Mr Manuel Suarez-Mier, a visiting fellow at the Georgetown School of Business Administration, believes nervousness over Nafta's prospects in Congress has contributed to the stagnation of the picture. The slowdown in the Mexican economy is a consequence of high interest rates in place partly to control inflation and partly to offset the "Nafta jitters" in a securities market worried that Congress will damage the trade pact.

But powerful Nafta opponents - followers of Mr Ross Perot, the populist billionaire, labour and many environmentalists - paint a depressing picture of the US-Mexican trade relationship. In his new anti-Nafta book, Mr Perot points out that \$15.5bn of last year's \$40.6bn US exports to Mexico was capital goods. This, he asserts to the uninitiated, means factories.

"When Smith Corona closed its typewriter factory in Cortland, New York, last year and shipped its manufacturing

US-Mexico trade



Source: US Commerce Department

equipment to Tijuana, Mexico, the transfer of equipment counted as an 'export' from the US," he says. "At this rate, the US will go bankrupt running up trade surpluses."

He labels "a myth" the administration's contention that Nafta will create a vast, lucrative new market. "The United States is the market," he says. "Mexican consumers do not have the money to buy American or Canadian exports."

At the Commerce Department's Mexico Office, where US-Mexico trade is analysed, the US trade surplus slowdown is seen as "a temporary pause", due to slower growth in the Mexican economy and lower demand for imports.

Ms Regina Vargo, the office's director, says Mr Perot is purveying myths of his own. The US ships a lot of capital goods to Mexico, because that is what it produces competitively, she says. Capital goods comprise 40 per cent of US exports worldwide, but only 33 per cent of US exports to Mexico.

What has been growing are sales of consumer goods. Giant US retailers are undergoing an "enormous expansion" and helping to renovate Mexico's retail sector. The average Japanese last year spent \$49 - spurred by sales of US-made textiles, clothing, carpets, furniture, musical instruments and sporting goods.

Sony to make video cameras in China

By Tony Walker in Beijing

SONY Corporation, the Japanese electronics giant, is to set up its first joint venture in China to make video cameras this month, under an agreement with the Shanghai Video & Audio Electronics Co (SVA).

Sony, which has been a somewhat reluctant investor in

China, will provide 70 per cent of the total \$5m investment in the new Shanghai Suoguang Electronics Company. SVA will be responsible for the rest.

Production will begin in November. The new company plans to produce 150,000 8mm video cameras annually. It will also turn out components for video tape recorders.

Turkey-Libya oil-for-debt swap

By John Murray Brown in Ankara

TURKEY and Libya have agreed an oil-for-debt swap to settle the \$600m owed to Turkish contractors. The deal, signed after joint talks in Ankara, ends more than three years of negotiations on Libyan payment defaults to 35 Turkish companies.

The debts relate to business won in the early 1980s when

Turkish contractors concluded deals worth around \$10bn building infrastructure for the Libyan oil industry.

The oil-for-debts accord envisages delivery of 30,000 barrels a day, which at current prices would settle the \$200m of debts agreed with the Libyan Treasury, in around 12 months. An additional \$250m is owed to companies, but not yet agreed with the Libyans. Turkish companies will also receive

40 per cent of the project value in local Libyan currency.

Mr Barlas Turan, head of the contractors' union, said it would be a boost to Libyan trade where Turkish contractors still have around \$1.5bn of continuing business. There was an undertaking to consider increasing the shipments after 12 months.

The oil will be delivered to Tuzlas, Turkey's state-owned refinery at limit.

LEGAL NOTICES

No. 006208 of 1993
In the High Court of Justice
Chancery Division
IN THE MATTER OF
THAMES TELEVISION PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the reduction of the share premium account by £2,250,000 and the reduction of the capital of the above named Company from £16,250,000 to £14,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as above the several particulars required by the above mentioned Act was registered by the Registrar of Companies on 11th August 1993.

Singh & May, (RLJ)
35, Beaufort Street,
London, EC2V 5DB
Solicitors for the above named Company.

No. 006243 of 1993
In the High Court of Justice
Chancery Division
IN THE MATTER OF
PRINCIPAL GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the cancellation of the share premium account of the above named Company of £3,384,739 as required by the above mentioned Act was registered by the Registrar of Companies on 11th August 1993.

Dated this 1st day of September 1993
Widdie Bell,
10 Beaufort Street,
London WC2E 8UP
Solicitors for the above named Company.

THE INSOLVENCY ACT 1986
GROVEMOUNT LIMITED
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the cancellation of the share premium account of the above named Company of £3,384,739 as required by the above mentioned Act was registered by the Registrar of Companies on 11th August 1993.

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IN THE MATTER OF
THE MANCHESTER SHIP COMPANY
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the reduction of the share premium account by £2,250,000 and the reduction of the capital of the above named Company from £16,250,000 to £14,000,000 and the Minute approved by the Court showing with respect to the capital of the Company as above the several particulars required by the above mentioned Act was registered by the Registrar of Companies on 11th August 1993.

Singh & May, (RLJ)
35, Beaufort Street,
London, EC2V 5DB
Solicitors for the above named Company.

No. 006243 of 1993
In the High Court of Justice
Chancery Division
IN THE MATTER OF
PRINCIPAL GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the cancellation of the share premium account of the above named Company of £3,384,739 as required by the above mentioned Act was registered by the Registrar of Companies on 11th August 1993.

Dated this 1st day of September 1993
Widdie Bell,
10 Beaufort Street,
London WC2E 8UP
Solicitors for the above named Company.

THE INSOLVENCY ACT 1986
GROVEMOUNT LIMITED
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 28th July 1993 confirming the cancellation of the share premium account of the above named Company of £3,384,739 as required by the above mentioned Act was registered by the Registrar of Companies on 11th August 1993.

Dated this 1st day of September 1993
Widdie Bell,
10 Beaufort Street,
London WC2E 8UP
Solicitors for the above named Company.

MEMORIAL SERVICES

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Memorial Service at 12 noon on 13th September 1993 at St James Garlickhythe London EC4

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For further details please contact Mr Manu Mistry or either of the Joint Administrative Receivers at Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW. Telephone: 061-953 9000. Facsimile: 061-834 7117.

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In accordance with Art 23 of the law on the privatisation of State owned companies, the M.O.P. invites potential investors to buy at least 50% of POLMO PRASZKA shares.

POLMO PRASZKA is a large company (turnover: 360 billion PLZ) manufacturing mechanical components for the car and truck industry. Its main products consist of air-braking systems, air and oil pumps, suspension springs, aluminium and zamac castings. After a recession period due to the loss of the USSR market, POLMO PRASZKA's activity is on the rise and profitable. It presents a good opportunity for any company interested in acquiring market share in Eastern Europe with reputable clients.

Potential investors, who want to bid for the purchase of the company shares shall confirm their intention by contacting the following representatives of the M.O.P. by September 16th 1993:

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In France: DORIES Consultants - Av. des Peupliers 35510 CESSON SEVIGNE Tel: (33) 99.83.81.82 - Fax: (33) 99.83.91.95

A memorandum and appropriate information is available on request after the signature of a confidentiality agreement.

Latham Crossley & Davis

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Sherlock House 7 Kenrick Place London W1H 3FF
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Cork Gully is authorised in the name of Cooper & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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Spending by consumers shows growth

By Guy de Jonquieres,
Consumer Industries Editor

SPENDING BY consumers - particularly on leisure and travel - appears to have increased more strongly last year than previously believed.

The latest annual survey of family expenditure by the Central Statistical Office finds that spending by the average household grew by 5.8 per cent to £27.83 a week, faster than the 3.7 per cent rise in the retail price index last year.

The increase, which follows a 1 per cent drop in the real value of household spending in 1991, far outstripped the 1.4 per cent growth in average gross family income to £343 per week last year. In 1991, family income rose 4.8 per cent.

The fastest growth in spending last year was for fares and travel, which increased 29 per cent to £7.20 a week. Some of that may have been due to higher public transport charges. The next largest rise, 24 per cent, was for leisure services such as holidays, hotels, sports events and theatres, on which the average household

spent £27.56 a week. However, spending on cinema admissions declined, apparently reflecting the continued growth in the popularity of home video entertainment.

The proportion of households receiving cable television increased to 9 per cent from 6 per cent in 1991, while 69 per cent own video recorders, up from 65 per cent. Home computer ownership rose slightly to almost one in five households.

But the survey found evidence of cuts on other types of non-essential spending, often by more affluent families.

Households with weekly incomes of more than £300 - the wealthiest 10 per cent of the population - reduced their alcoholic drinks bill from £27.99 to £25.73 a week.

The number of households with second homes also fell slightly from the previous year.

By contrast, spending on household goods, notably furniture and soft furnishings, rose sharply in both the highest and the lowest income groups.

Feasting on tempura and computer games

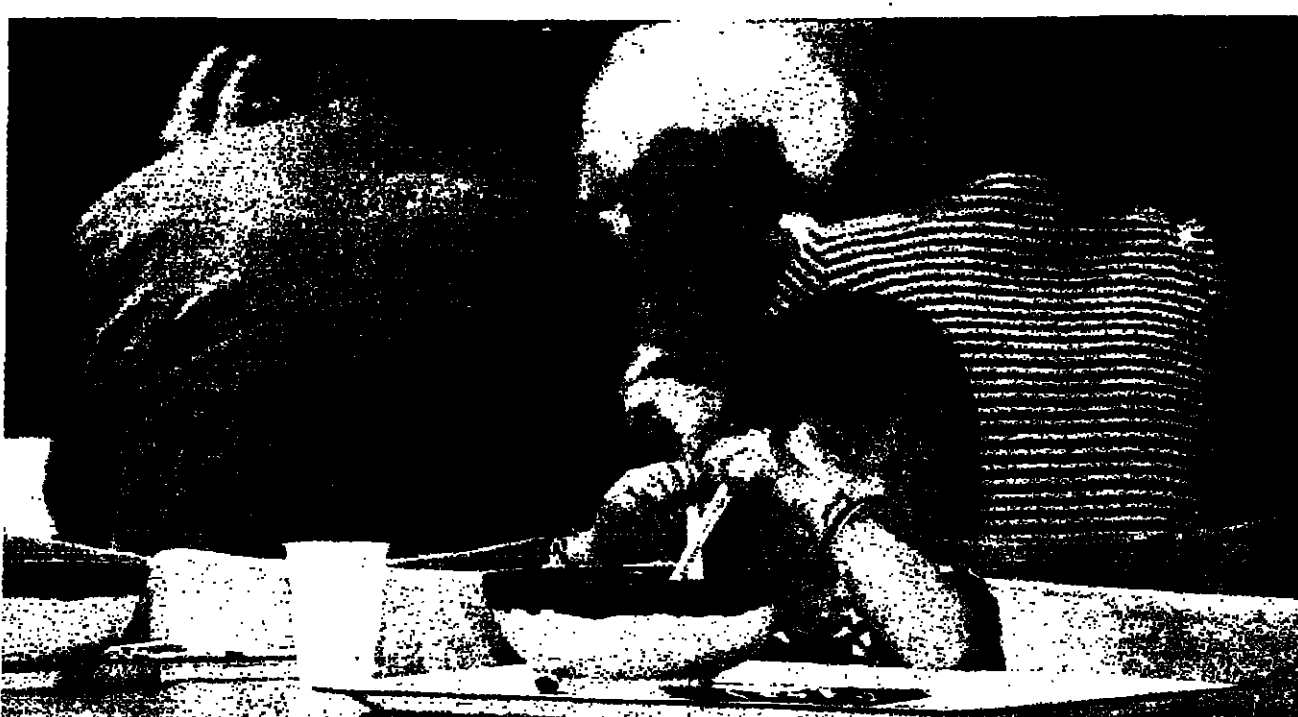
By Neil Buckley

IT IS not just a range of products from octopus tempura to kimonos that sets apart the Yaohan Plaza, the first Japanese shopping centre in Europe, from home-grown competitors. An official opening ceremony will be held today at the centre in north-west London.

The Yaohan Corporation, which built the £50m centre, claims its business is underpinned by philosophical teachings. Mr Kazuo Wada, its chairman, is an adherent of Seicho no ie, or the Human Enlightenment Movement, which espouses beliefs combining elements of Buddhism, Christianity and Shintoism. Yaohan's mission is "to serve customers all over the world with gratitude".

It certainly intends to serve London shoppers with products they may never have seen before. One part of the complex is a 60,000 sq ft retail development (about the size of the biggest UK food superstore) operated by Yaohan itself. That development includes a complete Japanese supermarket and a 200-seat oriental food court.

For UK customers not sure what to do with such traditional Japanese foods as miso, there are recipe cards in English, and there will be regular classes in Japanese cuisine. About 70 per cent of goods will be flown in from Japan,



Visitors young and old visit north London to sample the goods on offer at the first Japanese shopping centre in Europe

although some Japanese vegetables may eventually be grown under contract in Europe.

The other part of the complex is a 82,000 sq ft mall with units rented out to tenants including Japanese bookshops, travel agencies, a beauty parlour and optician, a London-Tokyo property agency and the UK's biggest computer game

centre, operated by Sega. Yaohan's main target is London's 30,000-strong Japanese population. Mr Toshio Tajima, UK managing director, says research has shown there are 10,000 Japanese families in its target area, each spending about £3,000 a year on groceries.

Yaohan aims to pick up 50 per cent of that spending in its

supermarket - a total of £15m a year. It also expects to pick up a fifth of the estimated £30m spent on groceries by London's other Asian and Far Eastern communities, or £6m. The shopping mall is forecast to have an annual turnover of £19m, making £40m for the whole complex.

But the company hopes to attract not just the oriental

population. "We do see ourselves as ambassadors," Mr Tajima says. "We want to introduce Japanese culture to local residents - starting with food."

Yaohan began in 1930, supplying hotels in the resort town of Atami, near Tokyo. It started retailing in 1956 and has since spread to Singapore and the US.

Cellnet to cut prices in London region

By Andrew Adonis

CELLNET, the mobile phone operator owned jointly by British Telecommunications and Securicor, will cut its prices in the London area from next month in an effort to contain competition from rivals Vodafone and One2One, the new cellular network about to be launched by Mercury Communications and US West.

One2One's service will initially be available only within the M25 area.

Cellnet intends to cut the price of calls made in the London area by up to 39 per cent for cellular users who sign up to a new tariff package called Citytime. This will offer cheaper calls in the M25 area in return for a large premium on calls made outside the zone.

The new tariff is a direct response to new cellular services about to be launched by Vodafone and Mercury One2One.

Cellnet's Citytime call tariff will be higher than One2One's (20p a minute against 16p a minute) even after the reductions, but handset for the Cellnet system will cost about £100 against £250 to £300.

Murdoch scorns attack from rival

By Raymond Snoddy

MR RUPERT Murdoch, chairman of News Corporation, last night responded to a bitter personal attack by The Independent newspaper on his plan to cut the price of The Times from 45p to 30p on weekdays.

The Independent changed its front page yesterday to accuse Mr Murdoch of trying to "drive this newspaper, The Independent, and The Independent on Sunday out of business."

"Without any new editorial ideas and without any belief in the Times as a newspaper, Murdoch has decided to crush

Tories to privatise 10 more prisons

By John Willman,
Public Policy Editor

A FURTHER 10 prisons in England and Wales are to be run by the private sector to complete the first phase of the government's privatisation programme, Mr Michael Howard, home secretary, announced yesterday.

With two prisons privately managed already, this would bring to 12 the number of prisons run by the private sector. Prisons of all types - including maximum security prisons holding terrorists - will be included.

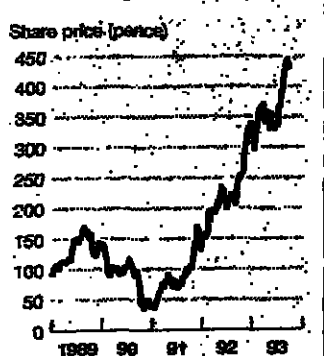
Mr Howard said his aim in the first phase was to have around 10 per cent of the 132 prisons run by private companies. This would create a viable private sector of three or four companies competing with directly managed establishments.

The government is also to investigate using private finance to build new prisons. The Prison Service will invite bids from the private sector to finance, design, build and manage one prison in north-west England and another in south Wales. This will be one of the first fruits of the initiative launched last year to attract private capital for public projects.

The announcement drew renewed attacks from the opposition, prison staff and penal reformers. Mr Tony Blair, the opposition Labour party's spokesman on home affairs, described the plans as "a diversion of time and energy from the real task of penal reform and fighting crime".

The Prison Officers Association, the trade union which represents more than 25,000 officers, warned of possible industrial action because of overcrowding and inadequate staff as a result of government policies. One action being considered is to refuse to accept new inmates into prisons, forcing their detention in police cells.

News Corporation



Source: Datastream

his nearest rival with the power of money," said the editorial, which must have been sanctioned by Mr Andreas Whittam Smith, the paper's editor and main founder.

The paper said Mr Murdoch knew The Independent was at "a turning point with advertising starting to pick up after three years of deep recession".

Mr Murdoch said last night: "I think it's a bit rich of Andreas Whittam Smith, particularly when he was only able to launch his paper because of what we did at Wapping. He also closed the Sunday Correspondent and tried to do the same to The Observer."

Mr Joe Cooke, managing director of The Telegraph group described the cut at The Times as "the last gasp of a failed editorial policy".

20% of workers exceed 48 hours

By Lisa Wood,
Labour Staff

MORE THAN 5m people, amounting to a fifth of all men and women in employment in the UK, work more than 48 hours a week, says research published yesterday by the UK government.

This ranks the UK third after Greece and the Republic of Ireland in a European Community league table according to a report in the UK employment department's journal Employment Gazette.

The department is challenging in the European Court the proposed EC working-time directive which recommends that employees should work a maximum of 48 hours a week.

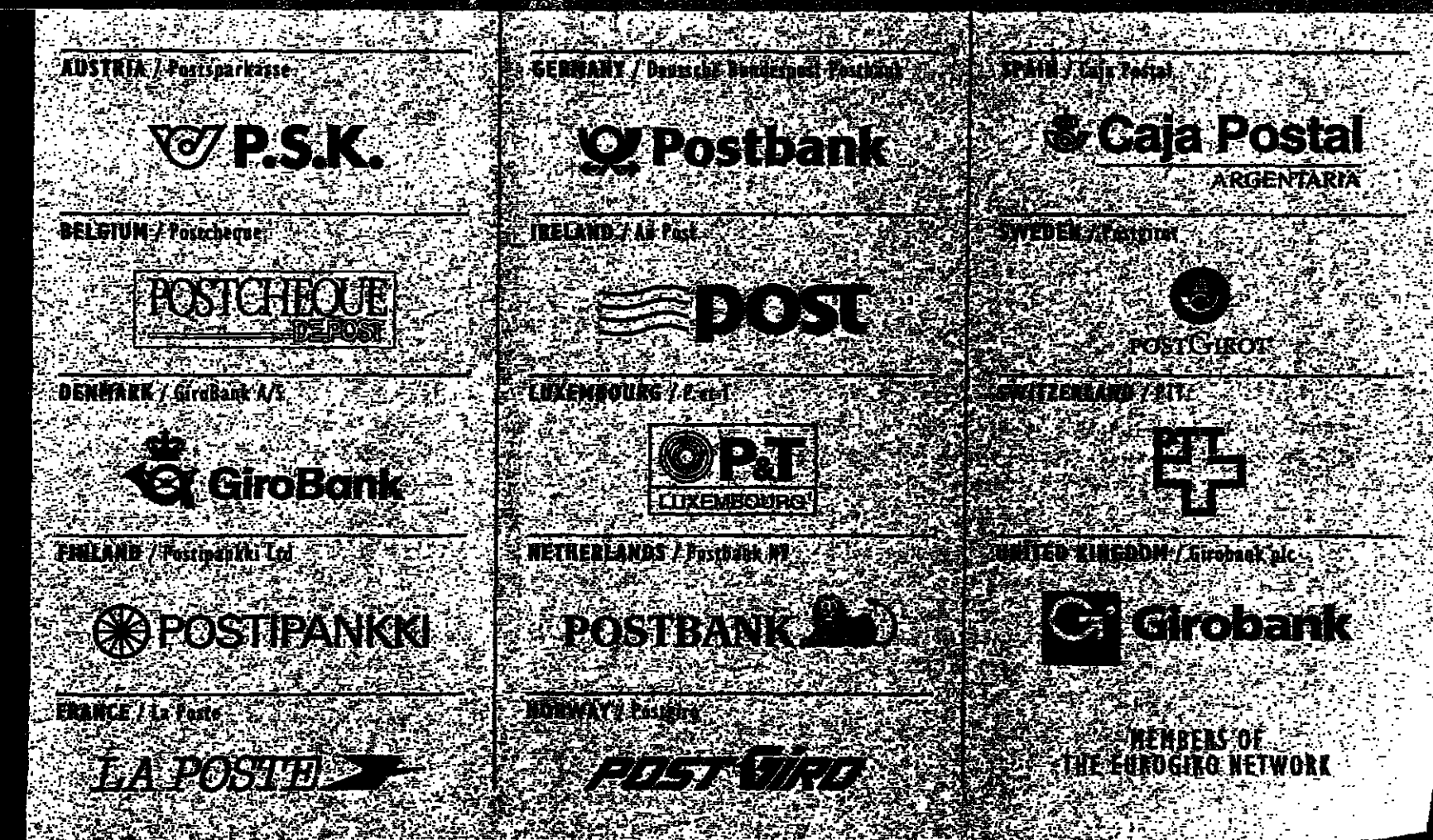
The research in the Gazette shows that in all EC countries except the UK most of those working more than 48 hours

are self-employed or family workers. In the UK, 70 per cent of the 5.2m who work more than 48 hours a week are employees.

In general self-employment and family work are strongly affected by the relative size of the agricultural sector, says the Gazette. In countries where agriculture accounts for a relatively high share of employment - such as Greece, Portugal, the Republic of Ireland, Spain and Italy - there were relatively high proportions of self-employed.

The Gazette says that only employees working more than 48 hours a week would be affected by any EC-wide regulations on maximum working hours. "Hence the disproportionate effect on countries [such as the UK] where the bulk of long-hours working is among employees."

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NEWS: UK

Grain harvest will be 5% down, says Dalgety

By Deborah Hargreaves

UK FARMERS could be reaping 5 per cent less cereal in this year's harvest compared with last year, but their optimism is undented after an improvement in incomes for the first time in four years.

Returns to UK farmers are expected to be higher this year in spite of a slightly worse har-

vest than expected, according to estimates by Dalgety Agriculture. The lower value of the pound has made crops more competitive overseas.

Sterling's exit from the European exchange rate mechanism and the consequent fall in the value of the pound meant an additional £150m in European Community support payments for UK farmers in the final

quarter of last year.

"There's a mood of general relief that we've bottomed out of the downward spiral," said Mr Rad Thomas who has a 400-acre arable farm in the east Midlands.

"Before anyone starts saying farmers are seeing a big rise in income, you've got to remember that we've come from the lowest base since the 1930s

depression and if we hadn't had this increase, a lot of farms would have gone under," he said.

Mr David Naish, president of the National Farmers' Union of England and Wales, said the devaluation of sterling had given farmers a short breathing space. "Most sectors have the opportunity to be profitable this year and these were

in deep trouble last year." But farmers are under pressure to cut costs and many are still giving up - the NFU estimates that about 20 people leave the land each day.

Mr Adrian Peck, who employs two men on his 1,000-acre arable farm in Cambridgeshire, does not look forward to cutting costs any further. "If I have to cut back on machinery

and labour costs, I've just got to make my fields bigger and that's a prospect that horrifies me. I'd become a prairie farmer because that's the only way to cut manpower costs."

Nevertheless, Mr Peck is looking to buy a new tractor this year following three years when he did not invest in any machinery.

Britain in brief



Exporters' confidence stays high

THE RECESSION in much of mainland Europe has failed to dent the confidence of British exporters, a survey from Trade Indemnity, the credit insurance group, indicated. It said two thirds of exporters were optimistic about prospects for business over the next 12 months and that 81 per cent had despatched their order books as either good or very good.

The quarterly survey of UK Export Business Prospects, carried out last month, shows that almost 50 per cent of respondents have increased their totals of export customers since the last quarter, while 63 per cent said sales inquiries had increased compared with the previous quarter.

The findings contrast with the latest news from the Confederation of British Industry, the employers' organisation. Its August survey of industrial trends found that export order books had weakened over the summer months.

Trade Indemnity said Middle East, Asian and north American markets had been buoyant in the latest three months compared with the previous quarter. EC and other mainland European markets had been more sluggish in the latest three months.

Insurers fight illegal claims

INSURERS are developing a nationwide database in an effort to track down illegal claimants whose activities cost the industry about £400m a year.

The Association of British Insurers said yesterday that the UK's leading insurers had agreed to support the development of the database, which will contain extensive details of proposal forms and claims submitted by policyholders.

Critics allege that insurers are not doing enough to combat fraud and are penalising customers with steep rate increases to compensate for past losses incurred partly because of the industry's own mistakes.

Business failures down

THE NUMBER of businesses going into receivership rose for the third successive month in August, but remains well down on the same month a year ago, according to figures from Touche Ross, the accountancy firm.

There were 252 administration orders and receivership appointments in August, compared with 331 in the same month last year.

Nestle to boost sweets output

Nestle UK, a subsidiary of the Swiss confectionery group, said it was expanding sweet production in Britain following the completion of a £1m plant in the Midlands.

The new plant, built at the company's existing factory in Leicester, will concentrate on manufacturing brands now imported from the US.

Westland wins

Westland Engineering, part of the Westland Group, has won a contract expected to be worth about £30m to design and build the power take-off gearbox for the BMW Rolls-Royce BR700 series of aero-engines for business jets. The contract was won against strong international competition.

Greenpeace in court today

Greenpeace, the pressure group, will today ask the Court of Appeal to halt radioactive tests at the Thorp nuclear reprocessing plant in north-west England until September 14. On that date, the High Court will consider whether the tests are legal.

In a separate legal action, Greenpeace has taken ICI, the chemicals group, to court over alleged water pollution. Yesterday that case was adjourned.

CONFERENCE OF THE BRITISH ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE

Real work in a virtual office

By Nuala Moran

VIRTUAL-REALITY technology is being applied to solve the problem of making people who work from home feel more closely in touch with their office in a government-funded £3m project to be launched next month.

The Virtual project, disclosed at the association's conference yesterday, will develop sophisticated computer displays that give remote workers the illusion that they are in the office, working alongside other homeworkers and interacting as if they are face-to-face.

The three-year project will be headed by British Telecommunications and supported by the Department of Trade and Industry, Science and Engineering Research Council, CEC and Division, a specialist virtual reality company. The project is due to start next month.

The programme is believed to be the first systematic effort to apply virtual reality to a business environment. It could spell the beginning of the end for expensive corporate headquarters, according to Mr Alastair Rogers, a researcher with the project at BT's Marlesham laboratories in eastern England. "Virtual reality offers the most intimate and direct method of interacting with a computer, and hence with the users of other computers," he said.

Computer networks already allow people at different sites

to work together, but they severely limit human interactions.

Staff who work remotely often become disenchanted because they feel socially deprived and isolated. For example, BT's recent home-working experiments in Scotland have resulted in their Directory Enquiry operators being equipped with video-phones, not directly to support their work but to reduce their sense of isolation.

Users sitting at a virtual reality screen will see themselves in an office with colleagues. They will be able to move themselves around the virtual space, to interact and talk to different people.

The input device could be as simple as a mouse or it could be "data suit" - a futuristic style of overall which picks up every movement of the user and would convey all the subtleties of body language and facial expression to colleagues.

With an advanced virtual reality system, the corporation could cease to exist as a physical entity. Employees could work entirely from home, conducting business in a corporate "virtual environment".

Consultants or individuals with specialised skills could link their personal virtual working environments with a corporate environment for the period of a short-term contract.

In professions where the office is not the main focus of work, different types of virtual reality could be designed.



Tim Shilton: "The standard of policing in rural areas is very high. The level of policing is non-existent"

Rural life behind bullet-proof glass

Chris Tighe is told of worries about crime and police reform

WITH ITS mellow stone buildings, immaculate floral displays and traditional shops, the village of Rothbury in Northumberland, England's northernmost county, looks like an oasis in a country troubled by crime.

Looks deceiving. Even before last week's raid on Rothbury's Post Office, when masked men cut telephone lines to nearby homes and escaped with a safe containing £24,000, the picturesque village was not immune to crime.

Police and public attitudes to policing and the Sheehy reform proposals are coloured in Rothbury by two geographical facts: the vastness of rural Northumberland in relation to police numbers, and its relative easy access for urban criminals.

Detective Inspector John Hope, based 12 miles away at Alnwick, estimates that half the burglaries in rural Northumberland are committed by criminals travelling to the area.

"They say they've got it so

POLICE authorities yesterday proposed a package of changes to police pay and conditions aimed at breaking the deadlock caused by the contentious report commissioned by the government from Sir Patrick Sheehy, chairman of BAT Industries. Some top police-men have threatened to resign if the Sheehy proposals for fixed-term contracts for all

ranked and a switch to performance-related pay are implemented. There would also be cuts in starting pay. The authorities proposed fixed terms for senior ranks only and progress towards an appraisal system which would be less radical than performance pay and would involve the setting of higher maximum salaries for all ranks.

Younger people are less sympathetic to the concept of policing as a job for life. Mrs Henrietta Day, 26, an army officer's wife, questions why the police should be immune from a general social trend: "Everyone thought the Army

was a job for life. But even in the Army cuts are being made."

Criticisms by villagers of local policing include allegations that there are too few officers, that they are difficult to contact and slow to respond. Mr Alan Beith, Liberal Democrat MP for the area, said: "At night the thin blue line is almost non-existent."

Nevertheless local police enjoy support from many of their inner city colleagues who would envy Constable Joe Chapman of Rothbury said: "The people actually talk to you out here."

Mr Tim Shilton, who runs an upmarket outdoor clothing shop in Rothbury High Street, said: "The standard of policing in rural areas is very high. The level of policing is non-existent."

He added: "You can see your watch by the crime here. Burglaries are nearly all after 1am. The time is significant. Between 1am and 5am all six police officers who cover Rothbury and its surrounding countryside are off-duty."

His store has bullet-proof glass and a ram-raiding protection cage flanks the window display. After nine attempted burglaries in the past four years he is taking no chances.

Mr Shilton is critical of current police accountability, especially at the upper levels, but opposes the Sheehy report's proposal to move all police to performance-related pay.

How, he asks, could anybody evaluate - for example - a policeman's patient handling of a car accident death?

MANAGEMENT ACCOUNTANT

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Ideally you will have at least two years recent experience in accounting for the performance of a variety of contracts within a commercial

Up to £28,000 p.a.

organisation where the management accounting team is high profile and progressive. Knowledge of a software development environment would be desirable.

The experience should be supported by a formal qualification, preferably CIMA. Strong powers of communication and the ability to identify with corporate objectives is essential.

Salary offered is likely to be up to £28,000 p.a. and the normal big company benefits apply.

Interested applicants should send a full CV to Beverley Langley, The Scott Edgar Advertising Partnership Limited, Paragon House, 75 Farringdon Road, London EC1 3JY.

Closing date for applications: 20th September 1993.

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This is a new engagement and the successful applicant will provide services under contract and should be able to work from home. An annual fee of £30,000 will be paid and the contract will be renewable every 3 years. Although the roles required by the two organisations will vary to some extent, the auditor will be chiefly involved in assessing systems procedures and working practices to ensure their effectiveness and efficiency and recommend improvements when appropriate.

Candidates must be members of one of the main Accountancy Bodies and have at least 3 years' post-qualification audit experience encompassing an appreciation of Internal audit work. A high degree of computer literacy, including good spreadsheet experience, is also essential. Membership of the Institute of Internal Auditors would be an advantage.

Please submit a full curriculum vitae and covering letter in support of your application, to Maria Hutton, Personnel Department, South Bank Centre, Royal Festival Hall, London SE1 8XQ. Closing date for return of applications: Thursday 16th September. Interviews will be held on Tuesday 28th September 1993.

The South Bank Centre welcomes applications from all sections of the Community regardless of race, colour, ethnic or national origin, age, marital status, sex, sexual orientation, disability or religious beliefs.

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Applicants should apply in writing enclosing a detailed CV and quoting reference number 9053/45 to:

Jonathan Wilkinson
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Putting over the message

Are middle managers really obstructive to change?

Nine months ago Ingersoll Engineers, the consulting firm, published a survey strongly suggesting that they are. It polled top directors of British manufacturing companies and discovered that 41 per cent found middle managers resistant, and only 21 per cent believed them supportive.

Now Ingersoll has returned to the same businesses, talked to the middle-ranking executives themselves, and concluded that there is another side to the story.

Their apparent truculence stems not, it now seems, from any underlying wish to oppose change in principle, but from a lack of understanding and from ineffective, unprofessional, internal communication.

The two surveys show that there is little disagreement between managing directors and ordinary managers on the need for change and on the priorities of change programmes.

Both groups lay heavy emphasis on communication and commitment, but according to managers the communications process itself is often flawed.

The failure, according to the study, appears to lie in what is actually communicated (the message) and how (the medium). The perception of breakdown is widespread - with approach, skills and technique all suspect; too often changes are announced, or initiated with information which is insufficient or too incomplete for others to be able to understand them.

Communication both upwards and downwards is considered crucial.

"Frequently the downward is there, but the upward falls on deaf ears," commented one manager. "Attempts [to change] without communicating... lead to the suspicion of a hidden agenda," says another.

"The undeniably good news," claims Brian Small, Ingersoll Engineers' managing director, "is that there are clearly no longer any cultural barriers to the efficient management of change programmes; the big pitfall is misunderstanding."

"Communicating a clear plan superlatively well is central to creating the confidence for successful change."

Tim Dickson

The clock on the television screen shows 8.15am. An egg is broken into a frying pan as the credits roll to jaunty music. Smiling presenters on sofas exchange quips about the cricket score. The familiar run of news snippets, phone-ins and quizzes begins.

This is breakfast television with a difference. The jugs of orange juice, the squashy sofas and the relentless cheer are all the same. But the audience is not a few million casual viewers in their dressing gowns, but a few hundred suited BMW car salesmen concentrating hard. The questions are not about show-biz, but about the tax advantages of leasebacks on cars, and the relative costs of leather upholstery in the latest Rover and Mercedes models.

Broadcasting information to staff in different locations has been commonplace in the US for a decade, where there are about 120 private company networks. But in the UK companies are only slowly discovering the potential of business television.

BMW, which was among the first to establish its own network in 1980, is still finding new uses for the medium. Its latest initiative, "Breakfast with BMW", was launched this summer to combat the recent decline in sales.

The idea is that salesmen share their hottest sales tips on five television, and compete with their colleagues to sell more cars and to win a holiday in Bermuda. The result, according to the BMW "weatherman" who takes the sales temperature in different parts of the country, is that the sun is coming out almost everywhere.

BMW is not the only car company to use television to spread the word to a far-flung audience. Ford has been broadcasting weekly programmes to around 400 dealers for nearly a year, and more recently Renault has joined the game.

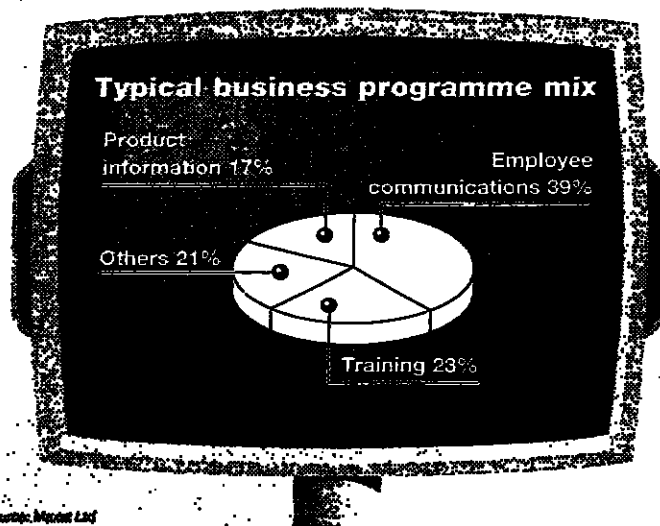
The car industry has espoused the medium more quickly than others partly because it is not frightened of technology, but mainly because its success depends on motivating a loose network of franchised dealers.

However, in the last year large companies in other industries went on the air for the first time: Texaco, Zeneca and Texas Homecare set up their own television networks, while Asda launched itself on the radio waves.

These companies hope broadcasting will prove to be a good way of spreading company news, sales information, product launches and training. According to Doug Lerner of Imagination, which produces programmes for Ford, television can get across both operational and strategic messages. It is immediate and involves everyone - it is also flexible, as different people can be

Business airs a new image

UK companies have discovered the potential of running their own TV networks, writes Lucy Kellaway



Source: Media Ltd

talked to in different voices, he says.

Some companies use their networks as much for international conferences and meetings as for company news broadcasts. At Zeneca, ICI's pharmaceuticals offshoot, the satellite link has already reduced the cost of business travel.

"In the past someone might be out of the office for five days for one day's meeting in the US and Australia and you'd wonder if they would be fit to make decisions when they arrived," says David Burkhill-Horwath of Zeneca.

Business television is also being sold as a means of implementing change programmes, by communicating boardroom views directly to the workforce. Pearl Assurance recently borrowed the BMW network to talk to 3,500 salesmen about the company's new strategic direction in a live programme, followed by a question and answer session in which any salesman could air their views.

Kevin Gavaghan, director of Vis-

age, which makes programmes for both BMW and Pearl, argues that companies make an enormous effort to communicate with their customers, but relatively little when it comes to communicating with staff.

Lerner believes that companies tend either to smother staff with information or not to communicate at all; and for both defects he argues that business television can be an answer.

When Ford audited its communications three years ago, it found its dealers were receiving 16,000 pieces of paper every week, 40 per cent of which came from Ford. Television has replaced some of the paper and has also made it easier to distinguish between the messages that matter and those which do not.

But surely the same end could be achieved with video? Television has a magic that video does not have; and more importantly it can transmit messages immediately. Merrill Lynch found its network in the US paid for itself on Black Monday 1987 when it was able to issue timely

instructions to its salesforce. Regular television programmes also have their own momentum: each programme can dip into various subjects without having to tell the whole thing from beginning to end. Live television has the further advantage in that it allows the viewer to speak back. Both Ford and BMW have used this to effect in televising car auctions.

However, one problem with business television is to make sure that people actually watch the broadcasts. According to Lander, this has been overcome at Ford: managers know that vital information may be transmitted at 11am on Thursday and so they work their diaries around that date. Many even arrange their management meetings for that time, to be able to discuss the broadcast afterwards.

The BMW breakfast show solved the problem by getting the presenter to telephone dealers live to see if they were watching. If they were, they won the use of a special sports car for the weekend.

Business television is not cheap. To equip each site might cost between £1,500 and £10,000 depending on the quality of the screens, decoders and satellite dishes, while the air time costs around £1,500 an hour. While these costs are falling, and will fall further, they are dwarfed by the main cost, which is producing the programmes.

Visage estimates that each BMW programme costs about £12,000 on average to make. Some networks are trying to keep costs down by making the programmes in house, whereas others fear that unless the programmes have the professional stamp of an outside production company staff will not take them seriously.

Many companies are cautious about making the large investment in the equipment. National Westminster Bank is experimenting with a series of programmes produced by Imagination every few weeks, but distributed on video. The videos have a magazine format and include small sections of staff training and motivation. If they catch on NatWest could be the first clearing bank on air.

Yet business TV does not suit everyone. Quite apart from the price - which puts it out of the range of all but the largest companies - it is essential for audiences to be in the right place at the right time. Business television experiments for GPs failed because doctors move about too much.

"We are never going to see exponential growth," says Stuart Baxter of Maxat, the largest satellite operator. "Business television is aimed at big, blue-chip companies. No one is going to create a new budget for it. Instead they see it as saving money in other areas, communications, travel or training."

Andrew Baxter stresses the need for successful product introduction

Time for an action plan

The successful introduction of new products is one of the keys to profitable manufacturing but, for many UK manufacturers, improving the process is still in its infancy.

This is one of the findings of an updated edition of *Manufacturing into the Late 1990s* - first published in late 1988 - which has been prepared for the Department of Trade and Industry by Tony Roberts and Mark Smalley at PA Consulting Group.

The study says recognition of the importance of new product introduction has continued to grow since the first report was produced. The pool of knowledge and experience of best practice in this area is now greater - particularly within leading manufacturers. But Roberts, director of PA's manufacturing sector, says there is still some way to go.

"Product design often takes years for many engineering-type products," he says. "Some companies have put relatively more effort into 'quick-buck' initiatives such as changing factory layouts, where you can get benefits in a few months."

The complexity of new product introduction means it is less well understood than other industrial processes. It involves highly-skilled people who are accustomed to working at their own pace.

"Product design is not deterministic," Roberts says. "You cannot predict that something will take 100 hours to complete. It could be five hours or five days."

The study has plenty of advice for managers on how to improve their manufacturing responses to the challenges in the 1990s. It identifies four themes.

● Higher customer expectations. "Customer power continues to grow and to compete effectively you must satisfy existing and new customers profitably."

● Greater business complexity - multi-technologies in the product and the manufacturing process, a wider product range, customisation and market niches.

● More uncertainty, stemming from a wider range of customers, shorter product life cycles and more competition. This means

greater uncertainty about the life of products and investment decisions associated with them.

● Growing competitive and legislative pressure. "Legislation such as that concerned with product liability, health and safety and the environment will place additional strains on the business."

The task for manufacturers, says the study, is to "distil, from all the external drivers, a competitive strategy based on opportunities, clear responses to threats and then use your manufacturing capability as a competitive weapon."

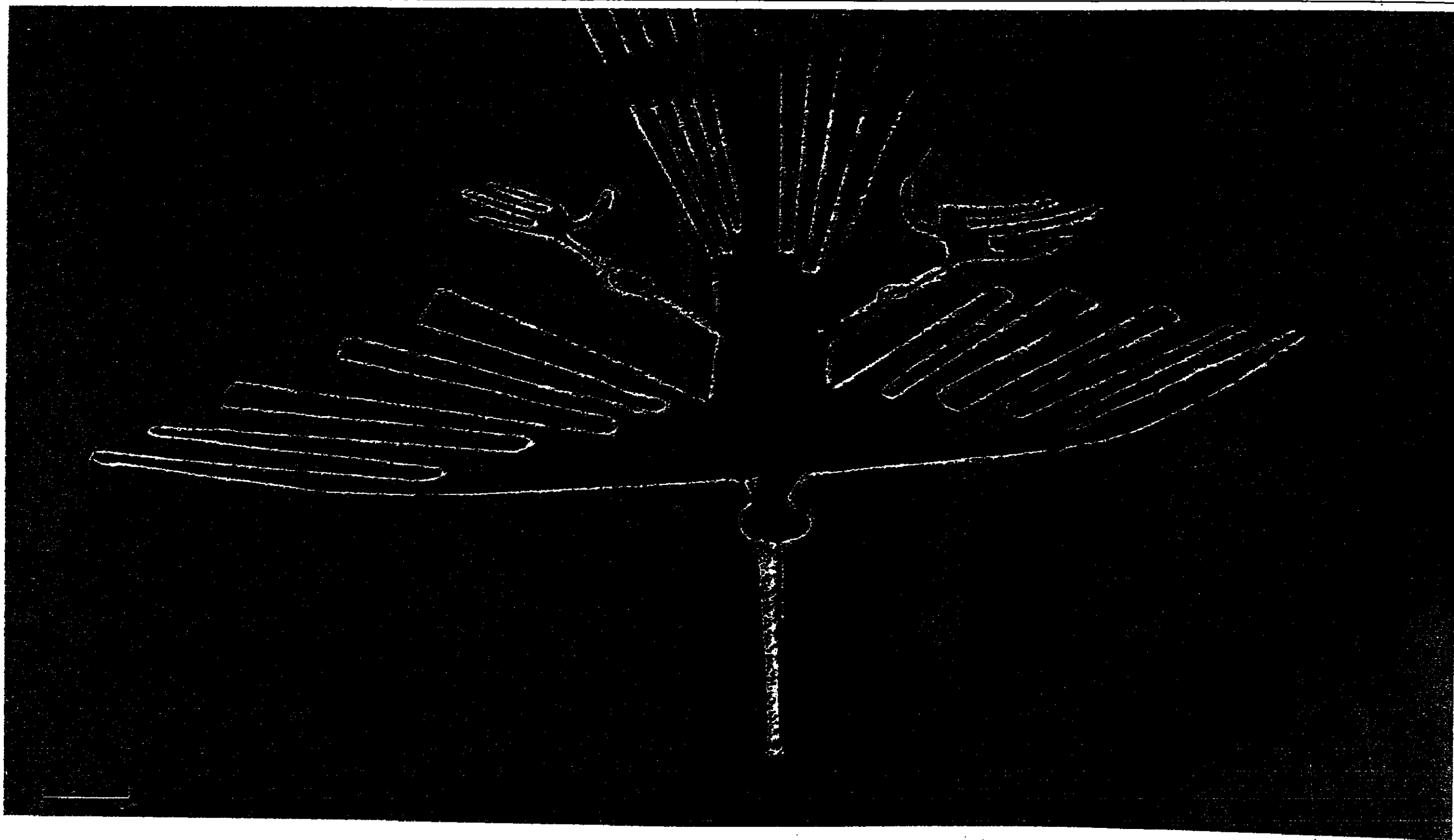
This is why successful new product introduction is seen as so important. According to the study key ways to achieve this include getting designers close to customers; using multi-discipline teams with clear objectives about delivering the product on time; having the design effort managed by a product director with clear authority to deliver.

But there are other important ingredients to the manufacturing response. While many companies feel they have greatly improved factory operations over the past decade, for many others there is still plenty of scope to reshape the factory to better serve the needs of the business.

Among the key factors contributing to better factories, the study mentions selecting flexible, low-inertia processes, ideally suited to the manufacture of core items and creating flexible factories, with focused units that can handle mix variations and be reconfigured to cater for short product life cycles.

While some companies have to try harder, Roberts is encouraged by what has been happening in manufacturing since the first report. "There is a much greater awareness of the need for a strategy - something that makes sense of all the elements of design and manufacture to produce a competitive and profitable business," he says.

Manufacturing into the Late 1990s. Department of Trade and Industry. HMSO Publications Centre, 51 Nine Elms Lane, London SW8 5DR. (071 873 0011) £22



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THE PROPERTY MARKET

A tough value judgment

The way UK property valuations are calculated is a controversial subject, with critics claiming that clients are being misled, writes Vanessa Houlder

The subject of valuations still stirs up heated debate in the UK property industry. Critics of current methods, including bankers, academics and property companies, argue that the way chartered surveyors calculate and present property valuations can mislead clients and contribute to the volatility of the market.

These concerns have prompted the Royal Institution of Chartered Surveyors to set up a working party on trends in client demand for commercial valuation advice. The aim, according to Mr Clive Lewis, president of the RICS, is to reassess what clients want from valuation advice and to clear "our minds of the pre-conceptions of the past".

The group, headed by Mr Michael Mallinson, former property director of Prudential Portfolio Managers, includes clients, valuers and an academic researcher. It will canvass the views of property clients and professionals before it reports in February.

The debate in the industry about property valuations is taking place on two levels.

First, are valuers giving their clients enough information about the risk factors associated with the valuation and the way it was arrived at? Are valuations producing the

figures clients understand and expect? Should valuers express an opinion about the future trend in a property's value?

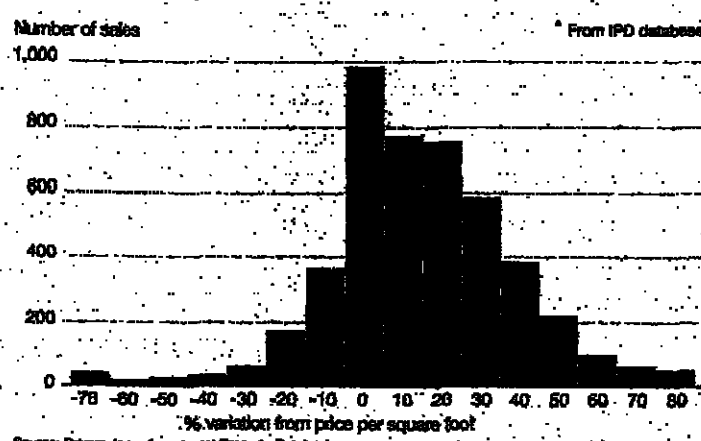
The difficulties with the current system are unlikely to be entirely the fault of surveyors. Members of the Association of Property Bankers, which was set up recently to discuss property issues, believe that misunderstandings about the nature of a valuation are partly the fault of the client. The association is now putting together a code of practice for bankers on how to instruct valuers.

"If non-property people go to a valuer, they believe they are getting advice when all they are getting is a valuation," says Mr Richard Lovell, president of the association.

He argues that banks need more than a valuation; they need "a character analysis" of the property, which could include questions of liquidity, its sensitivity to fluctuations on the market, problems of lease structure and allied risks.

Second, and more controversially, is the thinking behind a valuation fundamentally flawed? Does the "open market" method of valuation, which relies on the prices fetched by comparable buildings, pay insufficient regard to the intrinsic worth of a building in terms of the income it can generate for its owner?

UK property: price/valuation differences 1981-91



Capital & Counties, a property company which is one of the most vocal critics of existing valuation principles, recently produced a discussion paper on accounting treatment for investment properties. It concluded that the current basis of valuation did not work well for certain types of property - those that rarely came on to the market and for which there was little comparable evidence of sales. Instead, the property's valuation should reflect its "value in use" to its owner.

CapCo also argued that, in difficult market conditions such as

those of recent years, a valuer might not be able to obtain accurate information about transactions, because of confidentiality clauses and agreements that are kept secret.

Another of CapCo's arguments in favour of changing valuation methods was the fact that property investment decisions will increasingly be driven by comparison with other, non-property forms of investment.

The company concluded that an approach was needed "which is adaptable to changing market conditions and to circumstances where

there is a lack of relevant comparable evidence and encourages valuers to value on an investment basis as well as have regard to comparable evidence.

"A proper assessment of the value of fixed assets under such conditions requires an analytical interpretation of future growth rates and interest rates, of the changing nature of the market for all forms of investment and of the inherent investment characteristics of the assets."

The idea of including subjective issues, such as expectations of future growth rates, or extrapolating past trends in a valuation is highly controversial. One individual's opinion about future trends cannot be as valuable as that of the market, which is the summation of many individual viewpoints, say opponents. Moreover, if valuers had more discretion about the assumptions underpinning the valuations, they might come under pressure from a client wanting to massage the figures.

In the end, say the defenders of the existing system, the value of a building is what somebody is willing to pay for it.

They also draw comfort from the apparent accuracy of valuations. A recently published report by Drivers Jonas, chartered surveyors, and the Investment Property Databank, a research group, which compared

Changes in property values (%)

	Retail	Office	Industrial	All
Year to Month of Year to Month of Year to Month of Year to Month of	Jul 93	Jul 93	Jul 93	Jul 93
Rental growth	-3.8	-0.1	-18.7	-1.5
Capital growth	-1.8	-0.8	-0.2	-0.3
Total return	-5.6	-0.9	-18.9	-1.8
Current yield	6.9	10.0	11.3	9.7

Source: IPO Monthly Index, Investment Property Databank

investment valuations with actual prices paid, concluded: "Valuation surveys are still achieving levels of accuracy as high as those produced in the much less volatile market circumstances of the mid-1980s."

The concern that the accuracy of valuations would deteriorate as the investment market became less

In the end, say defenders of the existing system, the value of a building is what somebody is willing to pay for it

active and provided less evidence on which valuers could base their judgments proved groundless.

However, some critics of current techniques think that this type of research does not go to the heart of the problem. A report by the RICS about research priorities, published earlier this year, said that the debate has centred on the methods of examining the empirical data on

valuations and sale prices, not on the process by which sale prices are achieved and whether existing valuations have any influence on the market price.

"The empirical work is therefore taking place in a vacuum," it said. It believed that the recessionary market of the early 1990s had exposed a basic flaw in the philosophy of valuations. "The fundamental problem is the over-reliance on a methodology which is effectively one of simple comparison and not an investment method from first principles."

"The last 30 years have seen the valuation profession become very insular in outlook, such that the valuation of an investment property from first principles appears to present the profession with a major problem."

If the property market continues its recovery, the motivation for some of the critics of valuation methods - who thought the value of their property was unduly depressed - could disappear. Nonetheless, the intensity of the debate suggests that the pressure on the surveying industry to re-examine its valuation philosophy will remain.

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The Effect of the Proposed Modifications

The proposed modifications of the Conditions of the Licence will introduce a new rule to control the prices of BT's private circuit services. The rule would have the effect of:

- (1) limiting, to a specified "controlling percentage", the extent to which BT may increase (or is obliged to reduce) the aggregate price of services in each of three "baskets" of private circuits; and

- (2) limiting, to a specified "controlling percentage", the extent to which BT may increase (or is obliged to reduce) the price of any individual private circuit service included in any of the three "baskets";

In any of the four years in the period ending on 31 July 1997.

The three "baskets" of services are:

- (i) all inland analogue private circuits;
- (ii) all inland digital private circuits; and
- (iii) all international private circuits (both analogue and digital).

The "controlling percentage" applying to the aggregate price of all services in each of those three "baskets" in each year is the amount of the percentage change in the Retail Prices Index (RPI) in the year to the previous 30 June. In other words the aggregate control applying to each "basket" of services is RPI ±0.

In addition to the aggregate control, a further new rule would specify the "controlling percentage" for each individual private circuit price in any of the three baskets as follows:

- (a) RPI + 2 for all analogue private circuits, whether inland or international circuits; and
- (b) RPI + 1 for all digital private circuits, whether inland or international circuits.

The proposed new controls would apply to BT's standard prices. Benefits offered by way of discounted prices would not count for the purpose of determining whether or not BT had complied with the price controls.

The Reasons for the Proposed Modifications

The Director proposes to make these modifications of the Conditions of the Licence because he considers that the new controls represent necessary safeguards for customers since BT retains a dominant position as regards the provision of these services within its licensed area.

The Director is required by section 12(2) of the Act to consider any representations or objections which are duly made and not withdrawn.

Representations or objections to the proposed modifications may be made in writing to:

Miss F Chapman
Office of Telecommunications
50 Ludgate Hill
London EC4A 3JF

no later than 4 October 1993.

Copies of the proposed modifications may be obtained from the above address (telephone: 071-634 8764).

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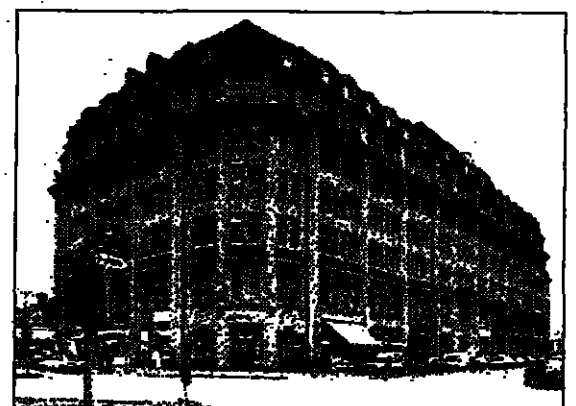
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the "Bieberhaus", Hamburg

Famous office complex, opposite the theatre "Deutsches Schauspielhaus", situated directly next to Hamburg's main station. The Free and Hanseatic City of Hamburg intends to sell this traditional building (approx. 16,000 sqm, office/retail space) upon presentation of an appropriate utilization concept. A number of interesting utilization plans such as a "Public Media Centre" could be developed. However, other ideas offering equally suitable economic and infrastructural perspectives will also be taken into consideration. Successful initial talks have already been conducted with potential tenants. The acquisition of the "Bieberhaus" could also be of interest to owner-occupiers.

Further information and a complete tender documentation will solely be provided by the agents.

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TECHNOLOGY

CD films:
coming
soon

A handful of fierce competitors in the consumer electronics industry have jointly agreed on the basic specifications of a standard-sized compact disc that contains roughly an hour and a quarter of video and sound.

The new CD will allow most feature-length films to be stored digitally on two standard CDs.

Philips of the Netherlands, Japan's Matsushita Electric Industrial, JVC and Sony announced in Tokyo that they would co-operate in promoting the new format, based on an existing sound and pictures CD used for karaoke. Commodore, the US games computer manufacturer, Samsung and Goldstar of Korea and JVC have also joined the group.

Philips and Sony co-operated in developing the original audio compact disc, and most of the companies involved in the new video CD standard have already signed an agreement on interactive CD, which combines video images, computer animation and sound in an interactive format for entertainment and games. But in the marketplace the partners are usually fierce rivals.

Video CD will have roughly the same picture quality as a standard video cassette and should be on the market in the middle of next year, said the companies. In common with interactive CDs, video CD uses picture compression techniques developed by MPEG, the Moving Picture Experts Group, which was set up to establish a method of converting pictures into a digital form.

Laserdiscs, another sound and video system, are larger in diameter, use analogue storage and have a higher picture resolution, 430 lines as against the 300 lines on the new video CDs. Laserdiscs have proven particularly popular in Japan, where one in 10 households has a laserdisc player. Unlike standard video cassettes, neither laserdiscs nor video CD can be used for making home recordings.

The partners have agreed to use a single logo for the new system to indicate that it runs on hardware based on the format. Publishers have already started to use the new format for film, music and education programmes, they said.

William Dawkins
Della Bradshaw

The US's sole producer of enriched uranium - the fuel which feeds nuclear power stations - faces one of the classic dilemmas for a technology-based company.

The US Enrichment Corporation (USEC) produces nearly half of the world's supply of enriched uranium in two plants which are 40 years old. This old technology (based on a process known as gas diffusion) is still working effectively and is in no immediate need of replacement - although maintenance costs are relatively high. The plants have already been fully written down, so the company faces no depreciation costs.

Meanwhile, a new generation of technology, known as gas centrifuge, has been in use by competitors since the mid-1970s. Since gas centrifuges use far less power, the fuel produced is generally reckoned to be cheaper on a marginal-cost basis (though more expensive if the depreciation cost of the newer plant is added in).

The dilemma: should the USEC scrap its existing plant and make the multi-billion dollar investment in the next generation of laser-based technology with which it could leap-frog its competitors? The decision is complicated by three factors.

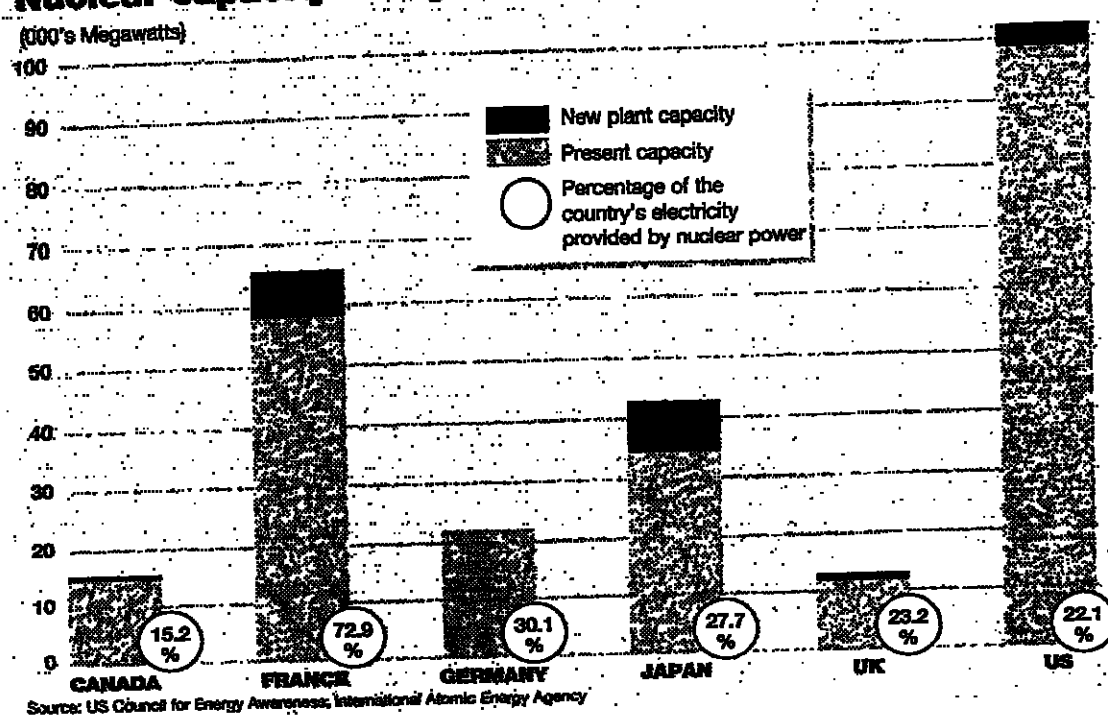
First, the world faces a glut of enriched uranium. Only East Asia is building nuclear power stations at a faster rate than it is retiring them; the demand for enriched uranium, variously estimated at an annual 30m-35m swus (separate work units, the standard unit for the fuel), is expected to rise only marginally over the rest of the decade.

Yet commercial uranium enrichment capacity continues to rise. This reflects in part a desire by governments to ensure a steady supply of what is in some countries a strategically important fuel. France, for instance, generates nearly three quarters of its electricity using nuclear power. In Japan, the figure is a lower, but still significant, at 23 per cent. USEC currently uses only around two-thirds of the capacity of its two plants.

Adding to this over-supply in the coming years will be fuel which is created out of old nuclear warheads. The US company is due to receive the 500 tonnes of weapons-grade uranium which the US has agreed in principle to buy from Russia. According to some estimates, this uranium would produce enough commercial-grade fuel to keep all the world's nuclear power stations running for some eight years.

Weapons-grade material is as high as 97 per cent pure, compared with the 4 per cent purity of the uranium used in nuclear power plants. Breaking down this highly

Nuclear capacity and generation

Retiring the
workhorse

Richard Waters reports on a uranium producer facing the task of replacing its obsolescent equipment

enriched material is technically far easier than creating commercial-grade fuel from scratch.

Second, USEC's share of the world market for enriched uranium has fallen fast in the past decade and may still be shrinking. At the start of the 1980s, it had a monopoly on the process by which the naturally occurring uranium-235 isotope is "enriched" to push its concentration up to the 3-5 per cent level at which it can be used in nuclear power plants. Its share of the annual \$3bn (£2bn) market for the fuel has now fallen to 46 per cent.

Tim Timbers, an investment banker appointed this year to run the USEC, blames its falling market share on the fact that, as an arm of the US Department of Energy, it has not been subjected to commercial disciplines. The price at which it sells fuel has in the past been published, making it easy for competitors, he says.

The company has now been given the power to act more commercially.

Following last year's Energy Policy Act, the USEC, which had been an arm of the Energy Department, was set up as a separate corporation at the beginning of July. Its brief is to make profits - and it will no longer publish its prices, says Timbers.

The third complicating factor: the company has been lined up for privatisation (its \$1.5bn of sales a year will put it among the US's top 300 companies). Would outside investors put their money into a company which operates with obsolescent equipment in one of the world's most technologically advanced industries?

The new technology which could reshape the uranium enrichment process is based on lasers. Known as atomic vapour laser isotope separation (Avis), it would reduce the cost of producing enriched uranium by more than a third, estimates Timbers.

Others in the industry are more doubtful. Urenco, a joint UK/German/Dutch company which claims

a market share of around 10 per cent, says it has studied laser enrichment but decided not to proceed with the technique. "It's extremely complex and difficult - we couldn't see any foreseeable success," says the company.

Laser-based technology involves the vapourising of uranium, and then using a laser to ionise the U-235 atoms in the vapour. The charged atoms can then be separated from the rest. Enrichment techniques based on lasers have been under development in the US for 20 years. Only at the end of last year, says the USEC, did tests establish that the process was practical on a commercial scale.

Studying the technical and business case for switching technologies is expected to occupy the company for the rest of this year. Should it decide to take the leap, plant which has operated since the beginning of the nuclear age will finally be retired.

Worth Watching · Della Bradshaw

'Decopier' wipes
paper clean

The traditional photocopier has contributed more to world deforestation than most other office machines. Now Japanese manufacturer Ricoh has redressed the balance with a prototype "decopier" - technology which removes the toner from the surface of copied paper.

During the copying process the images are created with toner - resin powder - on the surface of the paper. The images are fixed using a hot roller which melts the resin and applies pressure so that it soaks into the tiny spaces between the fibres.

The "decopier" reverses the process, applying a peel-off solution to the paper to reduce the adhesion. Heat is then applied to fuse the toner while pressure transfers the molten toner on to the surface of a roller.

The prototype machine can recycle three A4 sheets a minute. Ricoh: Japan, 03 3479 3111.

Pen computers
pick up tool kit

Pen-based computers, where a stylus rather than a keyboard is used to enter data, look set to bring computing to jobs outside the office, especially for completing forms. German software house Padcom is now developing a tool kit, PadForm, to enable standard forms to be more easily created.

Much of Padcom's work to date has centred on forms for the pharmaceutical and clinical research organisations. Padcom: Germany, 228 628084; US: 212 589 2710.

Cows' blood ready
for humans

The risk of viral transmission, together with a shortage in blood supplies, has focused attention

on the development of human blood substitutes. New Jersey-based biotechnology company Enzon has now been granted a patent for its red blood cell substitute which uses bovine (cow) haemoglobin.

The haemoglobin is modified by attaching hair-like strands of the polymer polyethylene glycol (PEG) to the protein in order to reduce its recognition by the body's immune system. This PEG-haemoglobin circulates longer in the body, producing fewer allergic reactions. PEG-haemoglobin also eliminates the need for blood typing and matching. Enzon: US, 908 980 4500.

Tracking down
wayward pets

Pet dogs wander off, thoroughbred horses are stolen and expensive falcons fly away. To combat the problem Fecava - the Federation of European Companion Animal Veterinary Associations - has decided to standardise on chip technology which gives each animal a unique identification code.

The device, developed by the US company Destron, and marketed in the UK by Animalcare, of York, is a transponder the size of a grain of rice which is injected into the animal's neck or paw.

When the device is installed the unique number and details of the owner are logged on a national database. The animal can be reunited with its owner by reading the transponder with a hand-held reader. Animalcare: 0904 488661.

Microwave mixer
zaps hot spots

Recent reports on microwave cooking have highlighted the problem of hot spots - parts of the food can be boiling hot while others remain cold. The Micromix, developed by Sales Connection Group, of London, stirs the food during cooking, thereby eliminating the problem.

The gadget has a rigid plastic frame which wedges against the sides of the oven and from which a spatula is suspended into the bowl of food. A friction mat between the bowl and the turntable ensures that the bowl turns evenly as the spatula stirs the food. Sales Connection: UK, 081 902 8800.

PEOPLE

Nielsen takes his place in shipping lane

Harland and Wolff, Belfast's famous shipyard which underwent a management and employee buy-out in 1989, has gained a new chief executive. Per Nielsen, 53, is no stranger to the company, having first joined in 1967.

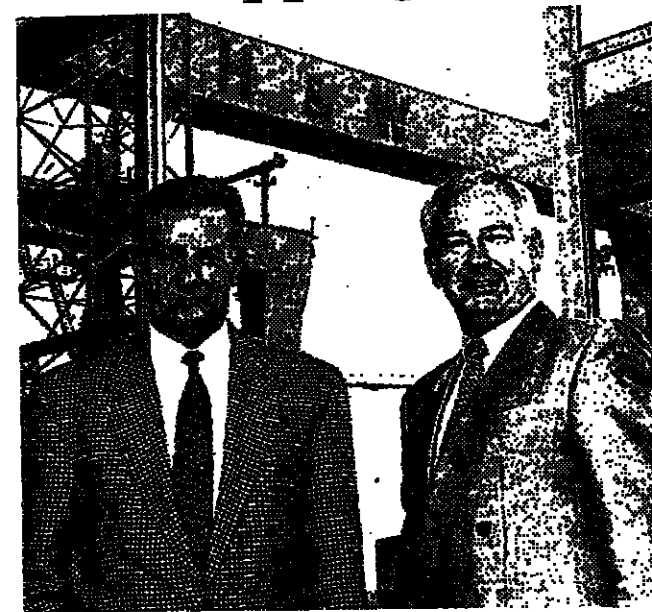
Danish by birth, Nielsen's career is solidly based in shipbuilding. A graduate in engineering and a postgraduate in economics, financial control and electronic data processing, Nielsen (right) was appointed assistant director of the shipbuilding division at Denmark's Aalborg yard in 1981.

Moving to Harland and Wolff in 1987 he took over as assistant managing director with control over operations, and became managing director in September 1989.

Nielsen retains strong links with his home country, though

he has lived in Belfast for the past six years. He is a government-appointed examiner at Aalborg University and a frequent guest lecturer in strategic planning. A member of the Danish Naval Architecture University's board and the board of the Danish Employers' Association, Nielsen also belongs to the Confederation of British Industry.

Nielsen takes over as chief executive from John Parker (far right), who first joined the company in 1958 and eventually became chairman and chief executive in 1983. Parker it was who led the management and employee buy-out of the company from the state-owned shipyard. He is said to be joining the board of an international group, the details of which are currently being kept under wraps.

Constructive
careers

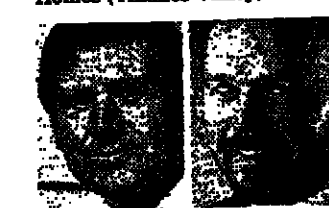
John Anderson has been appointed md of BOVIS Construction Ltd in place of Christopher Spackman who previously held the combined posts of md and chairman; he remains chairman.

Keith Lovelock, formerly operations director, has been appointed joint md of McCARTHY AND STONE with John Gray, who will be concentrating on the group's UK unit, Fernal Management, and winding down French subsidiary Homelite.

Ken Miller has been appointed a director of CHRISTIANI & NIELSEN's UK board; he is responsible for the company's UK activities. David Palmer has been appointed director responsible for the UK

company's international operations.

Clive Drinkwater (below left), formerly chairman and md of JS Bloor (Newbury), has been appointed md of PERSIMMON HOMES (Wessex) in succession to Mike Farley who becomes chairman of the Midlands and South West. David Drew, formerly md of James Longley Homes, has been appointed md of Persimmon (South East) in succession to David Bryant who becomes chairman for East Anglia and the South East. Steve Watt (below right) is appointed md of Persimmon Homes (Thames Valley).

Manchester Airport
picks internal candidate

After a 240,000 trawl round the world by headhunters and a starting list of 160 potential candidates, Manchester Airport has given the job of chief executive to Geoff Muirhead, the internal candidate. He will succeed Sir Gilbert Thompson, the man who spearheaded the airport's explosive recent growth, who is retiring.

Muirhead, 43, is a civil engineer and currently the airport's director of development. He was in charge of the new Terminal Two, which was delivered on time and opened in March. With Manchester the fastest growing airport in Europe and now approaching a throughput of 15m passengers a year, the job is regarded as one of the best in the aviation sector. It is also crucial to

northern England, where the airport is proving an important economic generator.

Muirhead emerged from a short list of three; the other contenders were Stephen Poster, managing director of Granada's motorway services chain and hospitality division, and Rod Hoare, managing director of British Airways regional operations. Poster is understood to have been first choice for the £114,000-a-year job, despite his lack of airline or aviation services management, but turned it down.

Tom Winsor, a partner at Denton Hall and a member of its rail unit, has been seconded to the Department of Transport as director-designate of legal services to the Rail Regulator to work on rail privatisation.

FT EXPORTER



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Edinburgh Festival

Comedy gets serious

THERE IS nothing more certain to kill a sense of humour than a comedy festival, and since the Edinburgh Fringe is in danger of degenerating into a comic's convention it is a place to tread warily.

Even the winner of the Perrier Award for best cabaret performer, Lee Evans, could trip up many people with his idea of what makes a laugh. Evans was born into the entertainment business which might explain why his physical contortions owe much to Norman Wisdom, and his painfully fractured delivery is reminiscent of Frankie Howerd. Evans was the clear favourite and a popular choice. He will transfer well to television and could become a typical British star comedian, loved by those who find every jerky grimace side-splitting, hated by those who expect wit from a comic.

The new wave comedians who flock to Edinburgh each festival rarely tell jokes: they make quirky observations on the passing scene. Perrier's most promising newcomer award went to Dominic Holland, who fits neatly into this category. Holland relies on bags of charm and naivety to win over the audience. He has worked the London circuit with a 20-minute act which leaves him looking threadbare filling an hour at Edinburgh, but there is enough jokey humour to suggest success. Along with Donna McPhail, who managed to find laughs in lesbianism, he was the pick of the "funny old world, innit" school of comedy. It would be helpful if the

organisers of the Perrier Award could spell out their aim more clearly. By far the happiest hour at Edinburgh was spent with Dave Schneider and Armando Iannucci. They are hardly household names but their On the Hour series for Radio 4 presumably makes them Perrier non-starters. Schneider throws himself around the stage. He lifts familiar material - the world's worst magician, Zero Talent, and quick-fire pop impressions - out of the mundane. Iannucci is more cerebral. He pushes the possible into the surreal. The sketch of the juggler adapting his act to take account of Stephen Hawking's theory of the expanding universe is sublime.

Equally unacceptable to a Perrier judge is another young Radio 4 stalwart, Richard Herd. Like many comedians he has progressed into situation comedy: in Ra-Ra-Rasputin he makes the obvious link between the Russian monk and the German disco group, Boney M, taking in fancy cakes, a pickled penis, a naked Prince Charles, and plenty of good natured parody. This mindless fun was a welcome relief from stand up comedians determined to wring your conscience dry.

Not all those grim faces you see at a Fringe event hide bad consciences. Many represent agents and critics and radio and TV producers checking out the talent. Sometimes the paying punters seem an insignificant minority and you worry that the whole carnival is just some gigantic audition, a trade showcase. For one student pro-

duction of *Much Ado About Nothing* the audience consisted mainly of Richard Eyre, director of the National Theatre, and Dennis Marks, director of English National Opera: the actors should not get over excited. The production was directed by Eyre's daughter and there was a Marks girl in the cast.

But with the Television, Film, Jazz, and Book Festivals happening co-incidentally Edinburgh inevitably becomes the national arts scene, and many performers prepare an act which keeps them in genteel poverty for the rest of the year. The professional reaction at Edinburgh either makes them or breaks them.

Gentle would be a dangerous description of Kit and the Widow, back in Edinburgh with a festival of new songs. They look and sound so respectable (although Kit's recently shaven head adds an air of menace) but their lyrics spit out poison capsules. In the past Kit begged not to go to bed with Madonna; now the unlikely coupling of Virginia Bottomley and Delta Smith has been added to the list of ladies who need better PR.

Kit and the Widow carry traces of the Western Brothers and Flanders and Swann but are really very hard indeed. Their strength is contemporary jokes: wondering whether Michael Jackson could be caught up in blackmail, being so black-ish and male-ish.

Finally congratulations Emily Woolf. Her show *Revolver* faced two potentially scuttling setbacks: she was not allowed to use songs from the Beatles album "Revolver", the

On the fringe: Emily Woolf in her solo piece *Revolver*

basis of her show, and she broke her leg. Woolf ignored these petty handicaps. Part of the attraction is such a mimsy girl talking dirty but, in spite of the plaster cast, she brings a stunning physicality into her solo show, which links a planned video based on the songs from "Revolver", with a Beatles fan of the 1960s desperate to consummate her love for

John Lennon. Woolf makes things complicated by introducing subsidiary characters, which distract from her central image, a vulnerable woman abandoned in the flat of a foot-loose television producer with only the gun in his desk for sinister company. But the climax is suitably cathartic.

Antony Thorncroft

Caesar in a crowd

THE FIRST, if obvious, comment on Peter Stein's production of *Julius Caesar* is that it is so very, very, German. This has nothing to do with the language. Shakespeare translates well into a tongue that has much in common with his own. It is a point about concepts. The Germans have a fatal habit of becoming hooked on a single big idea.

The big idea in Stein's production is that there should be a very large crowd. Whereas a normal production of *Julius Caesar* might have a crowd of about 50, and often considerably less, Stein goes for a crowd of around 200, and very impressive it sometimes seems. Yet the size of the crowd immediately creates new problems. Only a very large space can accommodate it.

In Edinburgh there are few large spaces available, so the search for *Lebensraum* led to the Royal Highland Exhibition Hall in Inverness.

The inside of the hall looks like a mixture of a huge aircraft hangar and a shipyard. Again, this may be a bonus. Certainly the crowd in Stein's *Julius Caesar* has a close resemblance to the shipyard workers who used to rebel in Gdansk. They seem the very model of an industrial proletariat. The technique of having the crowd stream in from all sides works once, possibly twice. Being German-directed, however, it is a very organised crowd and there is some danger of repetition. By the time the original crowd was doubling as helmeted soldiers running backwards and forwards with riot shields I began to laugh, which presumably is the last reaction Stein is looking for.

There is a more serious objection to designing a play to fit a single concept.

It arose when Robert LePage designed *A Midsummer Night's Dream* in a swamp in London last year. It seems a good idea for half an hour or so, but the trouble is that once you have introduced a swamp to the stage you are stuck with it to the end.

So it is with *Julius Caesar*. Some scenes in *Julius Caesar* - between Caesar and his wife, for example, - are of great intimacy. They do not need the vast space created for 200 people. Not even Stein's controlled use of lighting can conceal the fact that a large part of his space is often distractingly empty. We are looking at a vacuum.

Besides, the role of the crowd fades in the last third of the play. It becomes a battleground, but the best scenes are to do with personal confrontations and

grievances, not fighting. Stein's approach seems to be that if you have 200 extras available, you might as well redeploy them as storm troopers. There is just a suggestion that this is what happened in the rise of Nazi Germany, but it does not really fit the rest of the production.

By enlarging the cast list, Stein has diminished the play and also the art of theatre, which works by suggestion as well as action. A much smaller crowd, with faces that could be distinguished, would have been far more menacing - and more menacing.

Martin Benrath's Caesar looks engagingly like Mikhail Gorbachev and there is a thoroughly tortured Brutus in Thomas Holtmann. The best moment in the production is when he finally and reluctantly stabs Caesar who is coming to him for support.

Malcolm Rutherford

Arts award

THE SHORT list was announced yesterday for the 1993 Prudential Awards for the Arts which is worth £100,000 writes Antony Thorncroft.

The five on the short list all of whom receive £25,000, are Shobana Jeyasingh, who merges dance styles; The Series (a fusion by Birmingham Contemporary Music Group and Birmingham Jazz); Opera North; Theatre de Complicité; and Portfolio Gallery.

The £100,000 Arts Council award for an individual to commission a new work will go to either Sir Peter Wright, of the Birmingham Royal Ballet; Nancy Meckler, of Shared Experience; Oliver Knussen, of the Aldeburgh Festival; Sir Edward Downes, of the Royal Opera House; or Jenni Lomax, of Camden Arts Centre.

THREE HOTELS at the Tricycle Theatre, Kilburn is an import by Jon Robin Baitz originally written for the American Playhouse series on public television in America. It is a fine example of what television can give back to the theatre by enriching its style, and how theatre can take from television by adopting its acting techniques. There are two actors and three monologues: it makes compulsive viewing. The scale of the Tricycle Theatre supports detailed acting. Lindsey Duncan (*G.R.E.Y.*) and Peter Egan (*Paradise Postponed*) who play the married couple in *Three Hotels* are fine TV and film performers. The director Jack Gold is also much more famous in television. Remember the advice to Clint Eastwood: "Don't just do something, stand there." Everything is quiet and subtle.

Theatre / Andrew St George

Three hotels

They deliver a pair of fine, focused performances. Their linked monologues have the same level quality as Alan Bennett's *Talking Heads* plays for TV in 1987.

The plot settles in three hotels in Tangier, the Virgin Islands and Mexico. First, Ken Boyle, Vice President of Iris & Rose, baby formula producers, has jetted in to Tangier to redeploy the sales force. "Fire 'em all and start from scratch." He looks the part: the button-down shirt, grey suit and red striped tie make him the American Executive abroad, comfortable on the road. "I came of age in hotels, I draw comfort from them." But he has qualms

about selling milk supplements in developing countries: "How do you go to work every day when everyone disappears?"

In the second monologue, Ken's wife, Barbara has just addressed a meeting of company wives ("They like to be called girls", she confides) about expatriate life. Getting beyond pancake lessons for the maid, she speaks of her son's death in Brazil and of her husband's spiritual death: "Be careful the company does not turn your husband into something unrecognisable."

Predictably, in the third monologue, Ken has been fired after Barbara's outburst to the company wives. But now he is

in Mexico, that ideal alternative America everywhere from Carlos Fuentes to Paul Simon and James Taylor. It is Ken's honeymoon hotel, his wife has left him, and he is waiting for her to come back. Here it is easiest to believe that no one, looking back, wishes they had spent more time in the office. However, one caveat. The evening exposes a general problem with British actors using American accents. Another example was on show this week in another American two-hander, David Mamet's *Glengarry Glen Ross* (directed by Harold Pinter at the Oxford Playhouse). Accents seem to come either from Texas or Brooklyn. The America of Baitz and Mamet has escaped the ear of the dialect coaches.

Tricycle Theatre, London, Until 25 September. Box Office 071-328-1000

Sculpture / Mary Rose Beaumont

A minimalist's material

THE CENTRAL exhibition space at the Henry Moore Institute, Leeds, is occupied by an enormous six metre high tower made out of 21 tons of cinder blocks. Constructed and installed under the supervision of Sol LeWitt, it is the culmination of an exhibition of structures from 1963 to the present on view at the Institute and in the adjoining Leeds City Art Gallery. A large body of drawings, most of which are an integral part of his sculptural practice, are also on show.

The very early drawings, from 1963, are copies, or "transcriptions", as he prefers to call them, of Old Master paintings, ranging from Piero della Francesca to Velasquez and Goya. That he should have been attracted to Piero is interesting, since LeWitt's subsequent work, both sculpture and drawings, has been rigorously abstract and geometric. Piero was the first early Renaissance artist to construct his frescoes on geometric principles, and therefore a timely beacon to the young LeWitt.

In the 1960s LeWitt, along with Donald Judd and Carl Andre, was a founder member of the minimalist and conceptual art movement. It was he who, in 1967, adumbrated the principle that "in conceptual art the idea or concept is the most important aspect of the work..." The exhibition holds a great number of explicatory drawings, with texts explaining how LeWitt reached a certain position intellectually, at which point the structure could be, and was, fabricated by a technician.

The rigorously pared-down quality of many of the structures is exemplified in the room populated by 122 *Incom-*

plete *Open Cubes*, 1974, which are painted wood structures 8 x 8 x 8 inches, mounted on a 12 inch high painted wood base on the floor; 122 framed photographs and drawings hang like *doppelgangers* on the wall. The systematic geometric variations forbid any figurative associations: "what you see is what you see", as Frank Stella declared in 1966.

A historical curiosity is *Maybridge II* of 1964, which caused a furore as recently as 1991, when a feminist curator refused to exhibit it at the National Museum of American Art in Washington D.C. on the grounds that it was obscene. This structure consists of a long box with 10 tiny holes containing frontal photographs of a nude woman, which progressively advance until the final focus is the navel. Perhaps it makes peeping Toms of us all, but truly pornography is in the eye of the beholder.

From the mid-1980s LeWitt gave himself permission to enjoy the sensuous properties of colour. The results are some gorgeously rich gouaches in deep, Egyptian tomb-painting colours - dark reds, burgundies and ochres - starting in 1985 with pyramidal shapes progressing to regular horizontal and vertical bands of colour until, in 1992, he lets rip, painting wavy irregular bands in hazy tones.

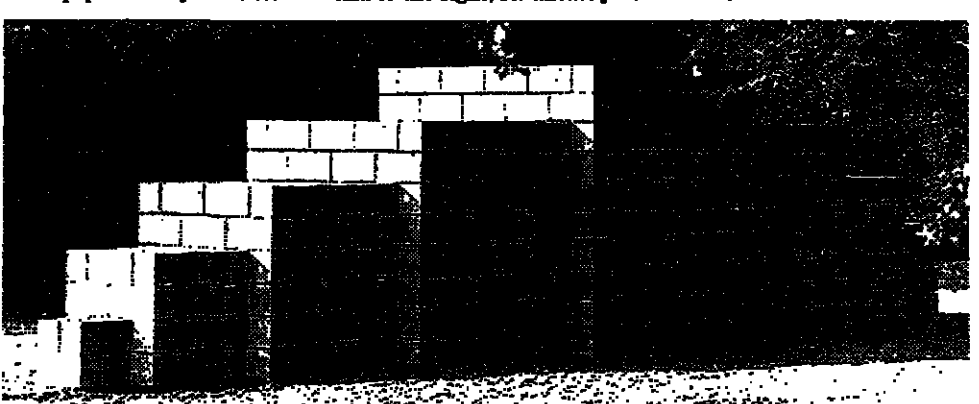
At the Yorkshire Sculpture Park LeWitt has installed another cinder block piece entitled *123454321*. The numbers refer to the stepped blocks which rise from a small cube at either end to one large cube in the middle. The cinder blocks, essentially urban materials, unpleasant to the touch and to the sight, sit uneasily in

the lush landscape. It is LeWitt's only structure sited in the British landscape and I hope it remains so.

The sculptures of Fritz Koenig (1907-74) are more comfortable inhabitants of the formal parts of the Sculpture Park. Smaller sculptures, maquettes and drawings are displayed in the Pavilion Gallery and the newly-opened Bothy Gallery. Wotruba, who was born in Vienna, was part of the modern movement. His abiding concern was that the solidity of the material remained with him throughout his career. During the war, which he spent in exile in Switzerland, his sculptures became more representational, owing much to the elongated figures of Wilhelm Lehmbruck.

Perhaps his most enduring monument, represented here by photographs, was his design for the Church of the Most Holy Trinity, Vienna, 1934. Composed of rectangular blocks and cubes, it is as uncompromisingly modern as Gerrit Rietveld's Schröder House in Utrecht in 1924. New granite sculptures were made on site by Michael Dan Archer. Archer lived in Japan for three years, which clearly influenced his attitude to the physical characteristics of the stone he is working. The abstract shapes are evocative of ancient architecture and prehistoric menhirs, teasing our imaginations with their secret histories.

The Sol LeWitt Exhibition is at the Henry Moore Institute and the Leeds City Gallery until October 16 (telephone: 0532-343158). Fritz Koenig Sculptures is at the Yorkshire Sculpture Park, Wakefield (0924-830302) until October 31.



Cinderblocks in a Yorkshire landscape: '123454321' by Sol LeWitt

Prom / Richard Fairman

Pinnock's tidy Mozart

THIS Prom season has played its cards cleverly: the popularity of period performances has come as a godsend to hard-pressed promoters. The fewer musicians there are on stage, the more it seems there will be in the audience.

At the all-Mozart Prom on Wednesday a capacity audience greeted Trevor Pinnock and his modestly-sized English Concert. This orchestra is larger than the chamber-sized group that Ton Koopman has brought to London for Mozart, but Pinnock might still have considered more. First, because the hungry Royal Albert Hall acoustic devours small bands; and secondly because we know Mozart performed the "Paris" Symphony with an orchestral complement of 56.

Pinnock had 10 less, the shortfall being in the strings. The wind instruments had to struggle to make themselves heard but brass and timpani rang out proudly whenever they had a chance. Pinnock's recordings of the early symphonies had not suggested that he would make such a flamboyant job of No 31, the "Paris".

In the increasingly crowded world of period-instrument conductors Pinnock is known particularly for light, airy textures, grace, neatness. The English Concert's opening to the "Prague" Symphony was scrupulously tidy, but not much more. Then the main Allegro began, at such a speed that the adrenalin level could only rise; the finale rocketed along. Pinnock included all the

repeats and finished sooner than conductors in my youth used to without them.

In between came choral Mozart with the Choir of the English Concert, which offered neatly clipped diction in the best Pinnock style. Barbara Bonney was the shining soprano soloist and Catherine Wyn-Rogers, Jamie MacDougall and Stephen Gadd completed the quartet in the "Coronation" Mass, a performance which had spirit but fell short of the joyous punch that this music can pack.

By chance I caught the encore (the Overture to *Figaro*) on the car radio, where the orchestral playing sounded more dramatic by far. As so often happens in early music Proms, the Radio 3 audience had the best of it.

INTERNATIONAL ARTS GUIDE

SYMPHONY orchestras from 31 European countries will converge on Munich next month to take part in Europamusikale, an international musical jamboree dreamed up by a Bavarian art historian, Baron Pankraz von Freyberg. Each day of the month will be devoted to one of the participating countries, represented by an orchestra playing music from its homeland. The aim is to give a sound-picture of Europe's cultural diversity. The festival will be opened by an orchestra from the host city, the Bavarian Radio Symphony Orchestra under Semyon Bychkov. The closing concert will be given by the European Community Youth Orchestra. A politician, artist or scientist from each country will give a speech before each concert.

It all sounds a noble idea - but whether the average Munich concert-goer wants to spend evening after evening listening

to music by obscure composers from Lithuania, Croatia, Iceland, Portugal or Turkey - to name just five of the countries represented - is another matter. Some of the invited orchestras and conductors are of second-ranker quality. Munich's musical life may have a strong Germanic slant, but it already caters for most tastes with a succession of visiting ensembles spread throughout the season. And do audiences really want to sit through 31 different versions of Euro-speck? On those grounds, Europamusikale risks turning into an expensive white elephant. A smaller-scale festival might have been more appropriate, with less compartmentalised programmes, fewer political overtones and a stronger chamber-music element.

The most attractive events are those which would have drawn an audience in their own right, without the festival setting. The only Dutch element in the Royal Concertgebouw Orchestra's concert, for example, is a short contemporary work, set alongside well-known pieces by Weber and Strauss. The Gothenburg Symphony Orchestra plays symphonies by Stenhammar and Stelzel. The Vienna Philharmonic brings a programme of Haydn, Bartok and Dvorak. Britain's contribution comes from the Royal Philharmonic Orchestra under Peter Maazel Davies, whose Violin Concerto (György Pauk) is played alongside works by Holst and Vaughan Williams.

Tickets are available from Europamusikale tel 089-543 8134/ fax 089-538 9626.

EXHIBITIONS GUIDE

ANTWERP

Musée Royal des Beaux-Arts Jos Hendricx: drawings of figures and stained glass windows 1908-71. Ends Sep 15. Closed Mon
Museum Mayer Van den Bergh The Triumph of Death (1826): a recently-discovered painting by Pieter Brueghel the Younger, on public show for the first time. Ends Dec 31. Closed Mon
Hessen House Story of a Metropolis: a portrait of the Golden Age of Antwerp in the 16th and 17th centuries. Ends Oct 10. Closed Mon
Onze Lieve Vrouwkathedraal Antwerp after pieces of the 15th and 16th centuries. Ends Oct 3. Daily
Middelheim New Sculptures: works by Richard Deacon and nine other international artists. Daily
BASLE

Kunstmuseum Picasso: drawings covering all periods of the artist's work, selected from the museum's collection and supplemented by loans from the Schaub-Tschudin Foundation. Ends Oct 10. Daily
Museum für Gegenwartskunst Romy Zaug (b1943): 150 large screenprints. Ends Sep 26. Closed Mon
BERLIN
Neue Nationalgalerie Beyerle Collection: an outstanding private Swiss collection of early 20th

century paintings, including works by Monet, Picasso, Klee, Matisse, Miro and Giacometti. Ends Sep 12. Closed Mon
FLORENCE

Casa Buonarroti Michelangelo: 18 masterpieces. Ends Oct 30
Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medicis. Ends Dec 31
FRANKFURT

Städt. Gustave Le Gray and Carleton Watkins, Pioneers of Landscape Photography: a collection of large mid-19th century photographs of French and American landscapes, on loan from the Getty Museum. Ends Nov 7. Closed Mon
GENEVA

Musée d'art et d'histoire Egyptian Fabrics: a large private collection illustrating the techniques and richly-decorated styles which developed in the transition from the Coptic to the Islamic eras in Egypt. Ends May 1. Egyptian Blue: glazed earthenware from ancient Egypt. Ends Oct 3. Closed Mon
THE HAGUE

Mauritshuis Acquisitions: an exhibition devoted to paintings acquired by the museum over the past two years, including 17th century landscapes by Jan van Goyen and Bartholomeus Breenbergh. Ends Oct 17. Closed Mon
HAMBURG

Deichtorshallen Andy Warhol: 120 paintings and objects. Ends Sep 19. Ettore Sottsass (b1917): furniture, glass and ceramics by the influential Italian architect and designer. Ends Oct 24. Closed Mon
LAUSANNE
Musée d'Art Contemporain Jean-Michel Basquiat (1960-88): 100 paintings and drawings by the Brooklyn artist whose images often reflect the harsh realities of street life. Ends Nov 7. Daily
Fondation de l'Hermitage Monet and His Friends. Ends Sep 26. Closed Mon
LONDON

Hayward Gallery Artista: the most comprehensive exhibition of Aboriginal art ever seen in Europe. Ends Oct 10. Daily
Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Daily
Tate Gallery Edward Burne-Jones: sketches from the museum's collection, underlining the 19th century English artist's skill as a draftsman. Ends Nov 7. Daily
MUNICH
Kunststiftung Dada: 150 paintings, drawings and collages by Marcel Duchamp, Man Ray, Max Ernst, Ribemont-Dessaigne and leading German exponents of the early 20th century precursor of Surrealism, augmented by a collection of posters and other documents. Ends Nov 7. Daily
Villa Stuck Max Beckmann: 190 prints, woodcuts and lithographs 1901-46 from private German collections. Ends Nov 14. Donald Judd (b1928): a collection of furniture designed by the American sculptor, illustrating his attempt to reconcile art and everyday life in minimalist form. Ends Oct 3. Closed Mon
Alte Pinakothek Homage to Caspar Wolf: retrospective of the

late 18th century Swiss artist, whose Alpine landscapes capture the elemental power of nature. Ends Oct 24. Closed Mon
Lenbachhaus Idealism and Nature: 100 drawings and watercolours from the museum's collection of work by Munich artists from the period 1780 to 1850. Ends Oct 3. Closed Mon
NEW YORK

Guggenheim Museum Paul Klee: 80 works from the museum's own collection. Ends Oct 31. Rebecca Horn: first full-scale retrospective of the German artist. Ends Oct 1. The main museum is closed on Thurs, the SoHo site on Tues
Metropolitan Museum of Art Nudes: 30 works by Schiele, Klimt, Chagall, Picasso and Munch. Ends Oct. Closed Mon
Museum of Modern Art Marco Zanuso (b1918) and Richard Sapper (b1932): 20 objects from the years 1959-78 by the Milan-based industrial and architectural design team. Ends Nov 9. Gabriel Orozco: first US one-man exhibition by the Mexican sculptor and photographer. Ends Oct 18. Chuck Close (b1940): 15 large-scale screen prints. Ends Sep 28. Closed Wed

Whitney Museum of American Art Hopper in Paris: a selection of paintings completed during the three extended trips Edward Hopper took to Paris as a young man 1906-10. Ends Oct 3. American Art in Transition 1955-62: 140 works by 21 artists, exploring the evolution from Abstract Expressionism to Pop Art. Ends Oct 10. Closed Mon
STUTTGART
Württembergischer Kunstverein

The Gardens of Islam: paintings, carpets, ornamental drawings, ceramics and fragments of the Koran, emanating from countries as far apart as Morocco and Indonesia, and evoking the diversity and exotic grandeur of traditional Islamic art. Ends Oct 31. Closed Mon
Galerie der Stadt Keith Haring (1958-90): 200 woodcuts, lithographs and drawings by the talented New Yorker who began as a graffiti artist. Ends Nov 7. Closed Mon
VENICE

Palazzo Grassi Modigliani: retrospective of the greatest Italian painter of the 20th century, with examples of his work from worldwide collections. Ends Jan 4. Daily
Fondazione Cini Francesco Guardi: retrospective of the 18th century Venetian veduta painter, whose free handling and atmospheric effects stand in marked contrast to the meticulous Venetian views of Canaletto. Ends Nov 21. Closed Mon
WASHINGTON

Walters Arts Gallery Art from Korea. Ends Sep 12. Kabuki Prints by Hiroasada: designs by the 19th century Japanese printmaker, capturing climactic moments of favourite plays. Ends Sep 26. Artists of Ecouen: 25 drawings recording daily life in late 19th century France, by a group of artists eclipsed by impressionism and the modern movement. Ends Feb 6. Closed Mon
Phillips Collection A Dialogue with Nature: part three of a series devoted to nine contemporary sculptors. Ends Oct 10. Daily

The public announcement that The Daily Telegraph newspaper was going to halve its cover price could not have been more unexpected. There had, of course, been lively debate within the organisation over such a drastic step.

Some senior executives pointed to an intractable dilemma. To get a higher circulation, you might have to alter the content and make the paper less demanding. Do that and advertisers might not want to pay so much.

But the price-cutters, led by Lord Camrose, got their way. On December 1 1990 The Daily Telegraph reduced its price from 2p to 1p, joining the popular dailies and leaving The Times at 2p.

The result was phenomenal. In a month, its circulation jumped from 100,000 to 175,000, and two weeks later to 190,000, at least some of the gain coming from The Times. Thus was the future of the modern Daily Telegraph laid.

It is unlikely that anything so significant will happen on Monday when The Times cuts its cover price from 45p to 30p - and from 50p to 40p on Saturdays. Ironically, one of its targets will be The Daily Telegraph, price 40p on weekdays.

The move was personally authorised by Mr Rupert Murdoch, chairman of News Corporation which owns The Times, who has become convinced that newspapers may be too expensive. It will herald an autumn of intense competition in the broadsheet newspaper market in the UK.

The initial industry reaction is that Mr Peter Stothard, editor of The Times, must have gone mad. The common wisdom is that the price of newspapers - particularly broadsheet newspapers - is not a main factor in the decision to buy.

Mr Harold Lind, the newspaper consultant who has warned of declining readership, is not so sure. "I think it [The Times] has a sporting chance. Cutting the price of The Sun was silly," he said yesterday. In July, Mr Murdoch cut the price of his mass-market tabloid Sun from 25p to 20p for the summer, and has now extended the discount into 1994.

The difference between the two price cuts, in Mr Lind's judgment, lies in the distinct economics of tabloid and broadsheet newspapers. Only about 30 per cent of the revenues of newspapers like The Times comes from their cover price, with the rest from advertising. With popular tabloids the ratios are reversed.

Up for grabs

Raymond Snoddy on a price-cutting strategy at The Times

"The Times' price cut amounts to only 8 or 9 per cent of total revenues," Mr Lind said.

Nevertheless, the cut is likely to cost News Corporation millions of pounds in lost revenue, particularly because payments to wholesalers and newsagents are being held at their old level, based on a cover price of 45p. The extent of the losses will depend on how many extra copies are sold and whether advertisers will pay more as a result.

"You get 50,000 copies ahead of the nearest competitor and it doesn't matter what the total

The Telegraph is Murdoch's prime target: it has so many readers to try to lure away

circulation is. You are the cock on the dunghill," said Mr Lind.

Official average sales for The Times from February to July this year give The Times a circulation of 383,799, which represents a 6.5 per cent drop over the same period last year.

The Independent, price 45p, the closest rival of The Times, fell by 9 per cent to 343,308, while the left-of-centre Guardian, price 45p, held on to most of its circulation - 411,981, down 1.6 per cent. The Daily Telegraph fell 1.6 per cent to 1.2m, with The Financial Times, at 65p, down 0.67 per cent to 289,828.

Apart from Mr Murdoch's instinct and propensity for rejecting conventional business wisdom, he has been struck by the success of Lord Camrose in the 1930s. He is also relying on the results of a month-long price-cutting experiment in the county of Kent, which saw sales of The Times increase by an average 14 per

cent, according to News Corporation.

A check of four representative wholesalers in Kent in the week ending August 15 found that The Times had increased sales by 12.5 per cent compared with the week ending July 31, when it was still at the old price.

In this check The Independent suffered worst - down 7.2 per cent, followed by The Guardian, which showed a 5.6 per cent loss. The Telegraph was much less badly affected, at 2.6 per cent down, and the FT was scarcely hit with a 0.7 per cent loss.

The number one target of The Times is clearly The Independent, which plans a relaunch with new sections at the beginning of next month and will almost certainly have to raise new finance later in the year. The paper reacted angrily to The Times' move and changed its front page to accuse Mr Murdoch of trying to put The Independent and the independent on Sunday out of business.

The Guardian decided not to comment. The successors of Lord Camrose at The Daily Telegraph were dismissive and made it clear they had no intention of getting involved in a price war.

Mr Joe Cooke, managing director of The Telegraph group, said yesterday: "We think it's sad to see a British institution in such an undignified state, marketing itself not as a paper of record, not for its wide coverage or fine writing, not even for its integrity but 'Buy Me, I'm Cheap'."

Mr Murdoch has identified The Telegraph as his prime target over the next decade because it has so many readers to try to lure away.

The hope at News Corporation is that the price cut will relatively quickly take the circulation of The Times above 400,000 again by winning back old Times readers, persuading occasional readers to buy more frequently, and poaching readers from other titles.

Apart from the other broadsheets, some new sales could come from readers of middle-market titles such as the Daily Mail and Daily Express, now 2p a day more expensive than The Times.

The price-cutting strategy was greeted with some scepticism in the City. Ms Lorna Tibbitt, media observer at SG Warburg, the stockbroker, said: "I don't understand the policy. What they really ought to do is concentrate on the quality of the editorial rather than trying to turn a premium product into a commodity."

Fills are out. White-collar staff at Daimler-Benz learnt this week that bonuses for having babies, bus and train fare subsidies and cheap personal loans have all been struck from company's time-honoured list of employee benefits. In future they will also have to pay for the frocks and suits usually worn by their offspring at confirmation or first communion, and customarily paid for by the company.

As all Germans will officially discover today, with the publication of a government discussion paper, Securing the Future of Germany's Economic Base, such challenges to the status quo may not in future be restricted to the occupants of Daimler's post-modern Stuttgart HQ.

The paper, compiled by Mr Günter Rexrodt, economics minister, says post-unification Germany, in its deepest post-war recession, will be able to afford fewer luxuries unless the country comes to terms with its economic and social failings; moreover, its people will have to work harder regardless.

The core thesis is that Germany - its people, its politicians, its industry and its institutions - is growing older ungracefully. The Wirtschaftswunder, the society that created Germany's post-war economic miracle, suffers increasingly from short-sightedness, sclerosis, arthritis and isolation from the realities of life in an increasingly borderless world economy.

What is incontestable is that Germany's population is aging rapidly. At present there are almost three people of working age for every pensioner. In about 25 years the ratio will be two to one and then deteriorate rapidly, the paper says.

Last year federal, state and local government benefits and subsidies accounted for the equivalent of 50.5 per cent of gross domestic product. This year, according to the BDI, the federation of German industry, the proportion will reach a record 52 per cent and, it adds, the country will be another step down the road towards becoming a state-controlled economy.

The paper says those in employment do not work enough and expect too much from their employers and the state. Business and society are over-regulated. The state and its agents are over-involved in business: the death throes of industries such as coal are eased with subsidies, to the neglect of research and the country's economic future.

Unsavoury recipe for recovery

Germans are being asked to work harder and expect fewer benefits, says Christopher Parkes

As a cure, the Bonn government prescribes an extraordinary list of treatments: wholesale privatisation, deregulation, social benefits only for those in need, free enterprise kindergartens and a new education system. The labour market should be re-ordered to allow Sunday working, flexible hours and pay deals, and even, possibly, an end to the government monopoly on employment agencies. Shops should be allowed to open late. Restrictive practices in the guild-like trade organisations, which allow a qualified carpenter to build but not to plumb in a sink unit, must go, the paper says.

It is radical stuff in conservative Germany. But in more typical style, Bonn first of all wants a debate, appreciating that it has little chance of implementing changes without a wide-ranging consensus. "None of these themes lends itself to quick and conclusive treatment. But it is necessary to conduct the discussion," Mr Rexrodt writes.

The paper itself is alternately vague and admonitory and littered with obvious gaps where government colleagues have fudged or snipped out sensitive parts (a section proposing the dilution of pension rights was excised by labour minister Mr Norbert Blum).

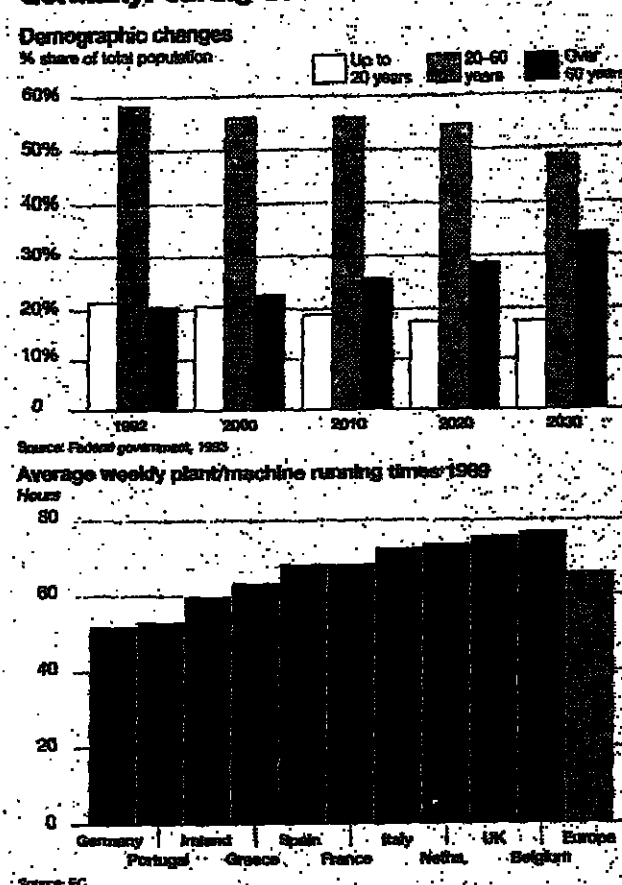
The end result is more an emotional call to arms than a policy statement. As Chancellor Helmut Kohl is likely to stress at the official launch today, the best way forward for Germany may be discovered by looking backwards.

"The people in Germany were filled with courage and confidence during the post-war reconstruction. They were prepared to make efforts themselves and recognise the efforts of others," the paper says.

"They accepted technical progress which made life and work easier... They understood initiative, the competitive spirit... public-mindedness, solidarity, tolerance and humanity..."

With one of several extracts from the dictionary of Thatcherite rhetoric, it adds: "They

Germany: curing economic ailments



did not only ask 'Who will help me?' but also 'Whom can I help?' They did not see only their rights but also their duties and responsibilities."

The discussion sought by Mr Rexrodt started even before his paper had been formally rubber-stamped by the cabinet. It was denounced from the left as "a declaration of bankruptcy" for Bonn economic policy. Industry, pleased to see many of its proposals included, murmured that it was a step in the right direction.

In truth, steps in the direction indicated have been going on for months. Industry has had particular success in bending union leaders to accepting formerly unthinkable deals. Robert Bosch, for example, the electronics-based group, earlier this year won agreement for Sunday working in a new semi-

conductor factory. Its tactics could not have been more direct: either IG Metall, the union involved, accepted seven-day operations, or the factory would be built in Scotland.

Adam Opel, the General Motors subsidiary, struck another ground-breaking bargain with the same union. The pay-off was work for almost 500 making diesel engines in Kaiserslautern rather than one of half a dozen options outside Germany. The price was round-the-clock working for five days a week with Saturday maintenance work paid at normal rates, and an end to demarcation.

This week's cut in Daimler's employee benefits was another link in a growing chain of settlements in which workers have shown themselves pre-

pared to see benefits eroded in return for job security.

As the 1994 pay round approaches there are already mounting signs that unions, after accepting an effective real pay cut for this year, will accept similar deals for next.

In all these instances, the lever applied implicitly or actively against union resistance has been the threat of rising unemployment. The threat of job losses will be put to work again in the next few months as wage negotiations get under way.

The government, too, has not been idle. By clamping down on prescription limits and raising patient contributions, it has engineered a sharp drop in the costs of the health service. At current rates, drug companies estimate spending on prescription drugs this year will fall DM7bn.

Bonn has also announced its so-called budget consolidation programme to take effect from next January, a combination of cuts in social and unemployment benefits - previously considered untouchable - and higher taxes, intended to cut the ballooning federal deficit.

But conditions are changing. The economy is by all accounts past the worst of the recession. As trade union confidence returns it may not be so easy in future for employers to tinker with time-honoured agreements, risking conflict and their company's precarious progress back to financial health.

Obstacles to the government's grand project are already visible. For instance Bonn talks bravely of privatising all its business interests as part of its vision of a more deregulated economy. But most nationalised holdings - in banks, airports, car makers such as Volkswagen, water, electricity utilities and local transport - are in the hands of state or local governments, most of which have strong Social Democrat traditions.

Which leaves Chancellor Kohl more or less where he was at the beginning of the year. It was then, as the recession was biting and the true costs of unification were striking home, that he launched his programme for "solidarity pact" between government, opposition, labour and capital, to collaborate to resolve the country's dilemmas.

The pact eluded him despite his fine words and good intentions. There is little reason to suppose that words will be effective this time - even words which once worked so effectively for Mrs Thatcher.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Flawed reflections on the Bush era

From Mr Doug Henwood.

Sir, It's been remarkable to watch Michael Frowse evolve into an ever more enthusiastic fan of American orthodoxy. In his two September 1 stories ("Life under Bush better than it seemed" and "Face of US economic growth beats Wall Street forecasts") on the upward revision of 1990-92 GDP figures, he essentially argues that the 1992 election campaign was fought on premises now revealed as false: official statistics of the time badly understated the pace of growth in the year's second half, lending credence to Bill Clinton's indictment of George Bush's economic policies.

Since we now know that

Bush's final year was nowhere near as stagnant as we'd thought, we have to wonder, Frowse asks, "why public perceptions of the economy were so weak?" He answers his question by pointing to "dashed expectations" even with revised figures, the recovery has still been slower than earlier business cycles.

This will not do. GDP may matter to pundits, but the average American couldn't tell you whether 2 per cent growth was strong or weak, or what the average growth rate for the first eight quarters of a recovery are. I'm no fan of Clinton, but he must be given credit for arguing throughout his campaign that the problems of the

US economy are structural, not cyclical, and that prominent among these pathologies is the 16 per cent decline in real hourly wages over the last 20 years, when real GDP has grown 56 per cent.

The point can be put even more pungently. Since 1973, the time necessary for a worker paid the average hourly wage to earn the average household's yearly expenses has grown 43 per cent; to buy the average new house, 45 per cent; the average new car, 57 per cent; and to pay for a year at Yale or the University of California, 75 per cent. Clinton seems to have forgotten these facts; now, he takes his cue from the bond

market, where deficit reduction is revered and wage growth viewed with fear.

Falling real wages, not the course of the statistical fetish known as the GDP, drive popular perceptions of economic weakness. Were political discourse in the US not so stunted, not so dominated by what Keynes called the "simple-minded maxims... one still reads in old-fashioned financial weeklies", then these issues might be more openly ventilated. New-fashioned financial dailies should know better.

Doug Henwood, editor, Left Business Observer, 250 West 85 Street, New York, NY 10024

Into jargon

From Mr Peter Riches.

Sir, "Hogarth was likewise deeply into poetry" said Anthony Curtis in his book review ("Hogarth, high art, low life", August 28). It gave me a jolt. Your columns are remarkably free of jargon. I enjoyed the rest of the article very much, but coming across this horror was like snapping a tooth on an olive stone secreted in a sandwich.

Peter Riches, 2-17-16 Hatsuai, Shibuya-ku, Tokyo, Japan

Where Mickey Mouse and French culture clash

From Dr M Purshouse.

Sir, I am surprised that your article on the problems at Euro Disney ("Mr Grumpy at the door", September 1) concentrates on purely technical reasons for the company's current difficulties. Although I have yet to visit the place myself, I have discussed it on several occasions with visiting French friends and business colleagues and have been surprised at the consistency of their antipathy to the venture. What comes across is a strong

feeling that the whole idea is alien to French culture, to the extent that they will have nothing to do with it. These same people would, I suspect, not hesitate to visit Disneyland or Disneyworld while en vacances in the US, where both would be clearly seen as integral parts and manifestations of the indigenous culture.

I suspect that Euro Disney and its shareholders may have to face the unpalatable fact that the decision to site Euro Disney in France, a country

with, at best, an ambivalent attitude to the virtues of imported American culture, was a big strategic error. Perhaps the opening of Euro-tunnel next year will make Euro Disney accessible to sufficient numbers of Anglo-Saxons to make a real difference to its fortunes. The UK would have provided a far more congenial home for Mickey Mouse and his relations.

M Purshouse, 4 Willow Avenue, Lenzie, Glasgow G66 4RH

No proper recognition or advocacy for UK's scientists/engineers

From Dr Nicholas Cox.

Sir, I looked at the complex issues involved in John Auhers' well-reasoned article ("Discipline in need of a better chemistry", August 28) wearing three different hats. I am a chartered engineer with more than a decade's experience in industry; I have just finished a management doctorate searching for better ways to support technical innovation; and I am at present an unemployed statistic finding few people interested in promoting technical innovation.

Industry seems to care little whether or not its engineers have science degrees, and even less about their innovative ideas. Those who speak for the engineering professions, despite some admirable advocacy, still lapse into complacency at times - witness the Engineering Council's lack of

clear guidance on innovation. As for government, its chosen solution seems to be to support science by cutting art - like some manic doctor who tries to increase the patient's red blood cell count by killing off the white cells that combat disease.

Perhaps the truth is that the rhetoric of blame is easier than the language of real action. We need to innovate - to promote new products, organisational changes, and "lean" manufacturing methods. Neither art nor science alone can provide the answer - we need the liberal arts to teach us to spot the rhetoric of inaction, just as we need science to allow us to replace it with real and effective action.

Nicholas Cox, "The Rose Cottage", 2 Quarry Hill Street, Headington, Oxford OX3 8JT

From Mr T Taylor.

Sir, In response to your leader, "Supply, demand and scientists" (August 31), and speaking as a scientist who has recently hung up his "test tubes" after 20 years in favour of a commercial career, I would maintain that Britain's decline in science and engineering has been taking place over the last three decades. The reason is a lack of financial rewards and opportunity for scientists and engineers to reach top positions in British companies and society. I have witnessed many scientists give up the battle to pursue a career through creative innovation and application of science. Job satisfaction doesn't pay the bills, and a society that has been through Thatcher's get-rich-quick era has left the scientist/engineer demoralised and disillusioned. The average scientist/engineer

has been through a rigorous training and learning programme and, when less qualified and less able people are paid substantially more in commercial careers, they ask themselves "has it been worth it?"

Improvements in education are only part of the solution. Britain has to start to value its technologists by paying them more. Supply and demand laws do not appear to have worked for the scientist/engineer, possibly because Britain's technological base has shrunk; we have given it to countries which have a more enlightened approach about the role of industry in modern economies.

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FINANCIAL TIMES

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Friday September 3 1993

Banks back on the road

AT THE start of the present decade the global banking system looked unacceptably shaky. A plague of bad debts in real estate was eating away at the profits and capital of financial institutions in North America, Japan, Britain, Scandinavia and Australia. Rescues were multiplying and credit ratings tumbling. Only in continental Europe were banks largely unbothered by plunging asset prices and non-performing loans. Questions were raised about the ability of the banks to finance a global economic recovery.

Today the threat looks remote. Profitability, asset quality and credit standing are all on the mend in the English-speaking economies, as a succession of recent results from the banks have underlined. The banking system of Scandinavia, which came close to total collapse, has been stabilised. While pockets of trouble remain, the questions for policymakers are not so much about how to manage financial distress as the avoidance of a repetition. How can the improvement in bank profitability be secured over the longer run?

The conventional answer is that governments should maintain a long-term commitment to anti-inflationary policies, while ensuring appropriate prudential supervision and regulation at the micro-economic level. Yet this seems, at first sight, a mildly off-beam response after a disinflationary decade which left the bond markets ready to be convinced that the inflationary tiger had been caged. Moreover, the first attempt at global prudential supervision, in the shape of the Bank for International Settlements' new capital regime, has initially increased the pressure on troubled banks. So what, apart from the normal impact on profits of an economic downturn, was this banking crunch really about?

Permanent diminution

At one level there was a problem of industry structure. The loss of creditworthy clients to the security markets caused a permanent diminution in asset quality. At the same time deregulation encouraged the remaining corporate and personal clients to raise their borrowings. The banks, meantime, enjoyed new freedom to do business in both product and geo-

graphic areas with which they were unfamiliar. The classic instance was the Scandinavian banks' suicidal dash into the UK property market at its peak.

Against such a background macro-economic policy shocks were potentially lethal. The switch to money-supply targeting in the US in 1979 played a crucial part in bankrupting savings and loan institutions. Similarly, sterling's entry into the European exchange rate mechanism made a nonsense of the inflationary assumption on which most buyers in the British property markets had taken out their loans. Loose monetary policy in Japan after the Louvre currency agreement caused an unprecedented asset price bubble.

Adverse consequences

The implicit message is that none of the governments concerned had any clear idea of the potentially adverse consequences of their monetary policies for the banking system - any more than the ERM member countries intentionally set out to bolster banks' currency dealing profits when they embarked on policies that failed to convince the currency markets. There will always be unintended consequences of large policy shifts. Yet monetary authorities have also had their successes, notably in the US where the Fed was quick to recognise the deflationary threat posed by the banking system's troubles and adjusted the structure of interest rates accordingly.

One challenge for the central banks now is to find a way of reducing the banks' vulnerability to swings in asset prices. This is most obviously the case with Japan, where cross-holdings of bank equity leave banking capital subject to wild stock market fluctuations. But there is a wider need to find ways of preventing the property market from exerting such a mesmerising attraction on bankers who seek to expand their loan books with minimal effort.

But the banks themselves have to recreate a prudential culture capable of withstanding the strains of a more competitive environment. Rescues create moral hazard. If they are not to result in greater fiscal damage in future, bank management must acknowledge a duty to the taxpayer as well as the shareholder.

Competition in mobile phones

THE BRITISH government can take pride in its policy of injecting competition into the market for mobile communications. The decision to license Vodafone as a rival to Cellnet, BT's majority-owned subsidiary, in the early 1990s was largely responsible for the fast take-up of cellular services in the UK compared with other European Community countries.

Now the prospect of a new rival, Mercury Onezone, launching its service later this month is causing the established duopoly to cut prices. Cellnet yesterday reduced the standard cost of calls made from London by 25 per cent and launched a new service which knocks a further 20 per cent off call charges in the capital. Vodafone made similar moves in June.

Onezone is the first of a new breed of personal communications networks. PCNs, licensed in 1993, are a variation on cellular networks. The government's original aim in introducing competition to the cellular duopoly was to drive down prices so that mobile services were affordable to personal as well as business customers.

While the forthcoming launch of onezone marks a milestone in the government's pro-competition policy, the overall goal of a mass market for mobile services is a long way from being reached. Even following the recent price cuts, mobile services will be beyond the grasp of all but the richest personal consumers.

This is not because the costs of mobile communications are intrinsically high, but rather because low costs are not being fully passed through to customers. Vodafone's fat profit margins - it earned £322m pre-tax on sales of £664m in its last financial year - show the scope for price cuts. Tariffs could be halved and the company would still be virtually at break-even.

Careful adjustment

The casual observer could be forgiven for thinking that the new competition from onezone will quickly erode those margins. But the situation is more complicated. What is taking place is not an all-out price war but a carefully calculated adjustment of the marketplace to absorb a new player. Although some prices are coming down, others are going up.

For example, customers who subscribe to Cellnet's new service will make calls at 20p a minute from inside London but pay a punitive 50p a minute - double the normal rate - if they call from outside the capital.

The reason more vigorous price-cutting has not occurred is hardly a secret. Mercury has no interest in provoking a price war - at least until it is better established - and so is not pitching aggressively for the duopoly's lucrative business customers. Similarly, Vodafone and Cellnet want to keep their monopoly rents for as long as possible. Their responses to onezone are designed to segment the market, allowing them to compete for personal customers and sole traders, while not jeopardising their mainstream business client base.

Heavy-handed

In such circumstances, it might seem tempting to reduce mobile service prices by regulatory dictat - through a price cap formula on the lines of that used to control the charges on BT's fixed network. But such a temptation should be resisted, at least for the moment, because heavy-handed regulation would get in the way of a fully competitive market.

There are two reasons for believing that in the long run a competitive market will develop naturally. First, the cost structure of the new PCNs is best suited to a mass market. Onezone will therefore only be able to earn sufficient profits to justify its shareholders' investment by cutting prices to the level where they appeal to ordinary consumers. Second, the launch of a second PCN service, Microtel, scheduled for early next year, will provide a new spur.

Waiting for competition to develop naturally will undoubtedly take several years. But rather than seeking to deliver the fruits to consumers earlier through price regulation, the government should first see if it can make a competitive market work even better. The best way of achieving this would be for ministers to announce that the market was open to any further companies which wished to enter. Even if none wished to take up the offer in the short run, the possibility of new entrants would keep established players on their toes.

Anybody wanting to understand the constraints on Japan's economy should try to open a supermarket. The aspiring retailer must read 17 laws and 45 administrative regulations, fill in 300 pages of application forms and wait perhaps 18 months for a reply, which could be No because a local small shopkeeper does not welcome fresh competition.

The cost of this frustration is heavy. Mr Isao Nakachi, chairman of Daiichi, a retailing group, reckons ¥68bn (£364m) in extra sales could be generated annually by a relaxation of restrictions on store openings. But the costs to economic efficiency and to Japanese consumers, denied choice by over-regulation, are greater.

Mr Morihito Hosokawa, the new prime minister, has recognised the problem. His seven-party coalition government has announced a hit list of 60 deregulation proposals, ranging from the easing of controls on new stores to freeing up satellite broadcasting. If he has his way, the impact on Japan will be great. Beer will be cheaper, taxi fares will come down, and Japanese television viewers will have more choice.

The deregulation drive is a Japanese version of the generally successful campaign against barriers to competition by the European Community and the US in the 1980s. Mr Hosokawa faces vested corporate interests and the powerful bureaucracy, which usually blocks changes that weaken its influence.

A sign of the challenge before the Hosokawa coalition is that the deregulation list was prepared by these territory-conscious bureaucrats, who inserted several contentious proposals rejected several times in the past decade. But Mr Hosokawa has pledged to introduce half of the measures by next March.

European and US companies and governments have a stake in the programme. If successful, it will allow easier entry into markets and remove, in some industries, a layer or two of a distribution system that increases costs and restricts the flow of new products.

A final plan will be presented to parliament on September 20, part of a package to stimulate Japan's flagging economy. A few days later, Mr Hosokawa addresses the UN assembly and meets US leaders, who will be told of action to encourage imports and reduce the overall Japanese trade surplus, up 17.6 per cent in the first half to \$57.3bn (£38bn).

The package includes gas and electricity discounts for big industrial users, fewer controls on construction material imports and mobile telephone sales, an easing of restrictions on the freight weight of large trucks, an end to minimum production limits for brewers, which keep potential small produc-

Will Japan's government succeed in deregulating the economy, ask William Dawkins and Robert Thomson

A snip at the tangle of red tape



ers out of the market, and fewer car roadworthiness inspections.

The difficulties of introducing these and other measures were summed up yesterday by Mr Kiyoshi Ishihara, a Tokyo taxi driver, whose ¥600 starting fare could be ¥500 or even ¥400 if fares are liberalised. "Six years ago they started talking about deregulating taxi fares, and nothing has happened. We don't want it, and I don't think the Hosokawa coalition will last long enough to introduce it."

Mr Ishihara said the "timing is wrong", as taxi drivers have suffered a fall in income - in his case, about 30 per cent - with the slowing of the Japanese economy. Change to the old ways would require some form of compensation to taxi drivers.

Many of the proposals will meet similar opposition. Car makers have supported the roadworthiness certificate system, as they benefit from purchases inspired by the need for old cars to pass a test every two years, annually for cars more than 13 years old. Car repairers and parts suppliers have a similar interest.

Ending a cosy cartel and increas-

ing competition means trading on toes, and toe-trading in Japan is done with shoes off. Affected businesses receive subsidies to compensate them for bruises, but only after long negotiation with the bureaucrats responsible and ultimately with the ministry of finance, which provides the funds.

For example, controls on opening large retail outlets will be relaxed under the deregulation proposals. In May 1990, Japan responded to US demands to amend the Large-Scale Retail Store Law, which covers stores of 500 sq m or more. The US idea was that large stores would have increased shelf space for imported products and new retailers would be less beholden to traditional suppliers.

To win approval for the changes, which took another year to be introduced, the Ministry of International Trade and Industry put together a ¥162bn subsidy package for small retailers, who were able to use the funds for business promotions, including street fairs and pavement repairs. Three years later, despite a speeding of approvals for new large stores, small shopkeepers are still

able to put obstacles in the way of ambitious retailers such as Daiso.

Will Mr Hosokawa be able to side-step the vested interests or will deregulation be a flop? The consensus among economic and political observers is that, whatever the outcome of these proposals, the policy debate has been shifted, giving consumers benefits where producers' interests have long predominated.

Mr Hosokawa's reputation hangs on the outcome. He is famed for complaining that, as a provincial governor, he could not move a bus stop without approval from Tokyo bureaucrats. If he does cut a way through the thicket of opposition, the next government will be under pressure to follow the path of deregulation.

"We are at the start of a tremendous transition, even if we do not yet have a clear vision of what the new system will be about," says Mr Susumu Taketomi, chief economist at the Industrial Bank of Japan, a long-term credit bank. "The post-war system was rational, but no longer matches our maturing economy."

One of Mr Hosokawa's difficulties

is the fragility of his seven-party coalition, already divided a month after taking office and expected to split within a year. The prime minister was told this week by one partner, the Japan Renewal party, to devote his energies to political reform and not to be distracted by economic or foreign policies.

Another partner, the Social Democratic party, formerly the Socialist party, is uncomfortable about deregulation. It has always supported small shopkeepers in preference to larger retailers, but the latter will profit from the proposals.

Individual politicians will be under pressure from local lobby groups to leave the laws unchanged. And it is easy to imagine why Japan's four big brewers might object to a proposal to end the present 2,000 kilolitre per year minimum production limit, as this would open the market to small breweries and foreign makers.

As the taxi driver explained, the economic timing may be wrong. Deregulation tends to drive up unemployment by killing inefficient companies before stimulating economic activity, which the EC found when introducing single market programmes. A senior EC diplomat said then: "The first thing that happens when you introduce level playing fields, is that the weak teams get beaten faster."

Mr Tom Hill, strategist at S G Warburg Securities in Tokyo, expects implementation to be slow: "In the long term, the economic case is impeccable. But the short-term danger is that deregulation will introduce a dose of deflation at a time when the economy is already in the grip of deflationary forces."

But Mr Hosokawa does have support from Keidanren, the federation of economic organisations, which is demanding deregulation and has even criticised the government's proposals as inadequate, producing 30 suggestions of its own. It wants the removal of import tariffs for car parts, direct sales between growers and shops, cutting out the middlemen, and a reduction in subsidies for dairy products.

The list reflects the complaints of larger Japanese companies facing higher costs than foreign, especially Asian, competitors. These companies are burdened by a strong yen and, under extreme pressure to cut costs, have concluded the benefits of deregulation outweigh the costs.

Having drafted a package, the government must now carry out the proposals. Sceptics should remember that the collapse of Liberal Democratic party rule after four decades came as a surprise to most Japanese. In this giddy atmosphere, the previously impossible is up for negotiation.

No case for independent central bank



PERSONAL VIEW

UK

by a vocal element of the economic establishment.

The simplest argument in favour

is that politicians manipulate monetary

policy to win elections, or are prone

to taking the soft option. As all

these money does is to cause

inflation, it is better to take monetary

policy out of party politics. Yet

while loose money generally just

causes inflation, too-tight money

does more than cause price deflation;

it causes recession with often

permanent effects on the economy.

If Mr Paul Volcker, when chairman

of the Federal Reserve Board, had

let US banks and the government

of Mexico go bust in 1982 by

maintaining tight money, we are

reality to believe the world would

have been the same a few years

later except for a lower price level? The belief that monetary policy is always "neutral" in the long run, and affects only the price level, is implausible.

If, nonetheless, monetary policy can be taken out of politics, why not take fiscal policy out too? In fact, there is much more international evidence of fiscal policy being manipulated for electoral ends than is the case with monetary policy. Yet no-one proposes that fiscal policy should be put in the hands of independent functionaries.

A more subtle argument depends on the idea of credibility. Politicians may mean to keep inflation down, but other economic agents, especially in financial markets, know they have an incentive to inflate before elections. Accordingly inflation expectations, and the costs of controlling inflation, will be higher than in the case where the monetary authority is not thought to have any such incentive. An independent central bank will have different incentives from politicians so its anti-inflationary policy will be more credible and less expensive in terms of lost output than that of the

toughest politician.

As an argument that is plausible but how important is it? The Bundesbank, for all its credibility, has had to induce a substantial recession in Germany this year in order to reduce inflation.

We are left with the argument that, given an independent central bank, financial markets would expect lower inflation so nominal and real interest rates would be

Calls for independence have more to do with politics than with economics

lower. What is that worth? In New Zealand the Reserve Bank was made statutorily independent in 1990 and followed a tough policy, bringing inflation down to about 1 per cent. Meanwhile, in Australia, the Reserve Bank, which is not independent, followed an equally tough policy and brought inflation down below 1 per cent. The "sacri-

fice" of output in New Zealand was no less than in Australia. Indeed, New Zealand GDP is little higher in real terms than in Australia - and a little higher in real terms than it was in 1985. Since 1989, however, New Zealand 10-year bond yields have been generally lower than Australian ones, whether measured in real or nominal terms. Of course, many other factors have been at work but let us ascribe the difference to a premium on central bank independence. The current difference in nominal yields is 40 basis points (0.4 percentage points), and in real yields about 20 basis points.

So there it is, if you abandon democratic control over monetary policy, after a year or so you probably get a quarter to half of one per cent off government bond yields.

If the advantages are so nebulous, why are increasing elements of the establishment calling for an independent central bank? The reasons have more to do with political philosophy than with economics. In the liberal tradition, fear of government tyranny is paramount. People of this persuasion advocate explicitly limited powers for government. For

them, the evidence for an independent bank does not have to be strong at all.

An alternative tradition stresses the importance of democratic process and of accountability to the electorate. While not wanting government to be omniscient, it prefers a system where elected representatives determine policies, and are responsible for them with fewer restrictions on the capacity for radical change. For this tradition, it would need to be clear beyond doubt that an independent central bank delivered large benefits before it could approve the weakening of democracy that such independence implies. The delicate evidence available so far is not remotely enough.

Gerald Holtham

The author is chief economist at Lehman Brothers International and an affiliated professor at London Business School. His article is based on his recent publication, "Economic Integration after Maastricht", Institute for Public Policy Research.

OBSERVER

passing interest in the progress of the international tour of pop-star Michael Jackson, especially after events in the Far East earlier this week.

Promoters of the tour are insured against any losses caused by Jackson cancelling to the tune of \$200m through a policy brokered in London by C.E. Heath and placed with a number of Lloyd's syndicates and other international insurers. Heath is a market leader in the esoteric field of "non-appearance" insurance, a risk for which insurance types regard Elton John as well-nigh uninsurable.

Mark to market

■ Tell a City trader or analyst that Britain works from 9 to 5 and they will laugh wearily in your face.

The image of the UK as a nation of late-risers has not been up-to-the-minute for some time. Just recently, the Central Statistical Office stepped up the pace by bringing forward the release time for important facts and figures to 9.30 am from 11.30 am. But surely it is the thin end of the wedge when the Bank of England's directors succumb to the early-bird revolution?

Since the beginning of this week, "Books", the daily meeting in which Bank directors discuss events and policy, has been held at 8.45 in the morning compared with 11 o'clock previously.

There are no prizes for guessing

for that time anyway and now are pleased to have a clear morning afterwards," puffed one loyal official yesterday.

Some sum

■ Reassuring news from the Central Statistical Office yesterday, which reveals that Britain's families were forking out 5.8 per cent more of their hard-earned pennies in 1993 compared with the previous year, despite all that recession doom and gloom. But take a look at the price of accessing this little gem.

The 1992 Family Expenditure Survey report itself costs £24, a tidy 17 per cent more than last year. Seeing that the latest figure for the retail prices index, whose weightings are calculated largely from this very survey, was July's year-on-year increase of 1.4 per cent, the CSO seems to have a slight statistical anomaly to explain away.

Newsance

■ The Times' decision to sink its cover price by a third makes the life of John Dux, managing director of News International but also chairman of the Newspaper Publishers Association's anti-VAT committee, a little harder.

In the latter position, where of course he speaks for the entire industry, Dux will have to remain

nimble on his feet if he is to persuade the chancellor that an imposition of up to 17.5 per cent value added tax on the press at the next budget would be detrimental to circulation when one newspaper can afford to cut 30 per cent in the race to discomfort the opposition.

Orange alert

■ Investment bankers, perpetually worried that their most valuable asset - the brainpower of their staff - will be pinched by the opposition, have recently taken to enhancing protection for the craniums of those still faithful.

NatWest Markets has begun issuing everyone with hard hats, to be kept handy under the desk at all times.

Contrary to the theory in the staff canteen that the head-gear is colour-coded according to seniority, one mole reveals that designated "marshals" are assigned white ones, while the rest wear what he describes as "a rather ghastly orange".

Far side

■ Spotted among the public notices of the Sutton Coldfield Observer: "The priest of the Greek Orthodox Church, St Constantine and St Helen, would like to see all people who have graves in the churchyard, Station Road, Erdington."

Drug stocks rise as US rejects price controls

By Michael Prowse in Washington and Patrick Harverson in New York

SHARES in drug and medical services companies rose sharply on Wall Street and in Europe yesterday after reports, later confirmed, that President Bill Clinton would not impose mandatory price controls on the health industry as part of his healthcare system reforms.

Some analysts had feared the Clinton administration would impose short-term price controls to prevent drug companies from profiteering during the phasing in of the reforms, a process that is not expected to be completed until 1998. The reforms are due to be unveiled later this month.

Later yesterday Mr Clinton confirmed that he would not seek even temporary price controls and would instead urge drug companies to restrain price increases voluntarily. "I've never embraced them. I've never

been particularly hot on price controls," he said.

By midday in New York, Merck had risen 1% to \$32.50, Schering-Plough 3% to \$63% and US Healthcare 3% to \$47%. In London Glaxo, Zeneca, Wellcome and Smith-Kline Beecham all advanced in the face of a weak London market, a pattern repeated in Zurich pharmaceutical stocks.

The White House also confirmed that it intended to move rapidly to extend health insurance to the whole population. It said the reformed healthcare system would be operating in some states by 1995. There would be a firm deadline of December 1997 for other states to join the new system. At present, about 37m Americans lack health insurance.

Officials also confirmed that the extension of health insurance would be financed mainly by limiting the rate of growth of existing federal healthcare programmes. There would be an increase in "sin" taxes, for exam-

ple on cigarettes, but no significant increase in the overall tax burden. This reflects opposition to higher income taxes in the budget signed last month.

Mr Clinton is also expected to propose a limit on the annual rate of increase of private health insurance premiums. This would indirectly limit the ability of drug companies, hospitals and physicians to raise prices because purchasers of care would be subject to tighter overall budget constraints.

The main innovation envisaged is a shift to a form of "managed competition". The White House will propose that most people buy health insurance through large purchasing co-operatives known as "regional health alliances".

The hope is that these bodies would use their market power to obtain high quality care at the lowest possible prices from competing groups of healthcare providers in the private sector.

Sharply stronger D-Mark squeezes the dollar

By James Blitz in London

THE D-MARK strengthened sharply against most currencies yesterday, amid increasing concerns about the pace of economic recovery in the US and a growing belief that Germany will lower its short-term interest rates more slowly than had been expected.

In recent days, there has been consistent buying of D-Marks in the international currency market, after the Bundesbank's decision last week not to reduce its discount rate.

Yesterday, the pressure on the dollar intensified, pushing it well below last year's peak for the dollar/D-Mark exchange rate.

The Belgian authorities also appear to have triggered a new bout of pressure on currencies in the more relaxed ERM by raising their short-term interest rates in an attempt to keep the Belgian franc pegged closely to the German currency. The Belgian central bank raised its central interest rate from 9.5 per cent to 10.5 per cent.

However, the tightening of monetary policy was viewed negatively by currency dealers on the same day that the country's national statistics institute announced a rise in unemployment from 13.5 per cent in July to 14.1 per cent in August. The latest figure compared to 12.1 per cent in August 1992.

The franc came under strong pressure, falling to a low of BF21.55 against the D-Mark. It later closed at BF21.49. The Belgian authorities intervened to support the currency, saying they had spent BF30m, although dealers said this was a conservative estimate.

Elsewhere in Europe, the French franc dropped from FF3.507 to a close of FF3.522 against the D-Mark.

The Danish krone dropped from DKr4.11 to DKr4.14. Sterling dropped from DM2.5025 to DM2.4750. The ERM grid was at its most strained since last year's widening of the system's bands.

The dollar closed at DM1.6490 from a previous DM1.6595.

Belgium raises rates, Page 2
Currencies, Section II

Clinton says US is ready to order air strikes in Bosnia

By George Graham in Washington and Gillian Tett in London

US president Bill Clinton yesterday warned that the US remained ready to order air strikes in Bosnia if the warring factions continued to block humanitarian efforts following the breakdown of peace talks.

Speaking in Washington, Mr Clinton said that if there was "abuse by those who would seek to interfere with humanitarian aid, attack the protected areas and resume the sustained shelling of Sarajevo", the NATO military option remained "very much alive".

The warnings came amid signs that American officials were seeking to step up the pressure on the Serbs and Croats who rejected Moslem demands in Geneva for further territorial concessions.

Officials in Washington said the US supported the three principal demands made by the Bosnian Moslem government of President Alija Izetbegovic for changes to the division proposed in Geneva: a sea outlet for the Moslem territory at Neum, an enlargement of the Moslem enclave around Bihac in north-western Bosnia, and a land corridor linking the eastern enclaves to the main Moslem territory.

However, Mr Clinton said he believed the peace talks had stalled, not collapsed, and the US would "do everything it can in the next few days to get the parties to resume the talks in good faith".

Mr Douglas Hurd, British foreign secretary, echoed the warning, arguing that air strikes remained a possibility if the Bosnian Serbs or Croats attacked UN forces or resumed the bombardment of the Bosnian capital.

The three sides pledged yesterday that they would try to enforce a ceasefire among their troops.

Details, Page 3

Kohl urges old values

Continued from Page 1

the structural weaknesses exposed first by unification with the former East Germany and latterly by the onset of recession.

This year federal, state and local government spending is expected to account for 53 per cent of gross domestic product, compared with 49 per cent before unification.

Proposals include the targeting of social benefits on those most in need, tenancy law reforms to encourage private investment in housing, and a shortening of the time most children spend at school from 13 to 12 years.

The paper says the state should withdraw from all services where experience elsewhere showed the private sector can perform better: transport, water, power, rubbish collection and housing.

PLO seeks to placate allies

Continued from Page 1

ing a joint "agenda" with Israel during the present session of the Washington talks. Syrian negotiators in Washington yesterday said they hoped they could reach preliminary agreement with Israel next week.

Meanwhile, in a sign of the potential for violence in the occupied territories, Palestinian gunmen yesterday shot dead an Israeli soldier and slightly wounded another in the West Bank. Israeli officials blamed the attack on fundamentalist Islamic militants.

RJR expects 43% fall in tobacco income

Continued from Page 1

put a firm figure on the cost of the price war, although its reduction is broadly in line with the 40 per cent fall in 1993 US tobacco earnings forecast by Philip Morris at the time of the price cut.

RJR attributed the drop in its income both to the general decline in tobacco sales revenues and one-time costs involved in the price reductions, such as

adjustments in the price of cigarette inventories it had sold before the Marlboro move.

Another factor behind the group's lower 1993 results would be a rise in short-term interest expense, RJR said. This was because it had temporarily used the proceeds from recent senior debt offerings to reduce lower-cost bank debt, though it eventually planned to use the proceeds to pay off higher cost debt.

Mr Charles Harper, RJR's new chairman, said that despite the changes in the US tobacco market, the company would generate "good cash flows that will enable us to continue investing in business building activities, including acquisitions". Fitch Investors Service, the credit information agency, affirmed its ratings of the group's debt, though it changed the company's credit trend to declining from stable.

THE LEX COLUMN

Doing it the Stein way

A generation at the head of a public company must leave an indelible impression on both the chairman and the chair. Mr Cyril Stein, who is to retire as Ladbroke's chairman at the end of the year, has worked a miracle in building the company from a small bookmaker into a FT-SE 100 company. The question now, however, is whether Mr Stein really has the self-discipline to let go, and whether the management team, which began his mark, can take up the challenge.

If Mr Stein does fade into the background - despite his non-executive directorship, a continuing role in the property division and promise to be a feature of head office life - the way is open for change. Most obviously, Ladbroke can take the opportunity to cut the final dividend in March, stemming its cash outflow and putting the pay-out back into line with the prospects for the business. The current yield on the shares implies that few believe the dividend is sustainable: a cut would probably be seen as a welcome return to reality.

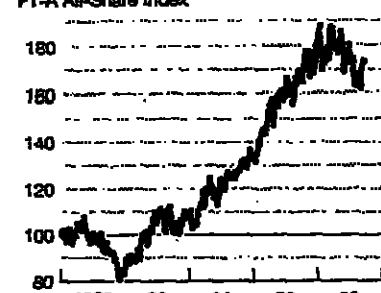
Given its head, the management might also be tempted to clear out any remaining problem areas. That would smooth the way for a rights issue next summer, easing the strain on the balance sheet. However much that means shareholders paying for previous management overvaluation, it would allow the company to focus on its businesses instead of its finances. Ladbroke's markets will remain tough. DIY competition will continue to intensify, property will remain sticky in all but prime sites, hotels will continue to demand capital investment, and racing faces a threat from the national lottery. The worry, however, is that Mr Stein's influence may prevent the necessary action.

Rolls-Royce Since Rolls-Royce made great play of its strong balance sheet when it cut its dividend in March, it is perhaps a little surprising to find the same directors announcing a rights issue six months later. In part, it can be explained by the fact that Rolls' balance sheet, while perfectly formed, is small. The more sinister explanation, however, is that cash is flowing out of the company at a worryingly high rate, as the business is rationalised, customers defer orders and stage payments, and working capital and stocks rise. While the company insists that the situation is under control, raising £307m certainly buys a fair amount of

FT-SE Index: 3072.6 (-12.5)

Bowater

Share price relative to the FT-A All-Share Index



Source: FT Graphite

cent. Group operating margins have increased by five points to 8.3 per cent since 1987 despite the recession.

If the economic recovery were to falter, Bowater should regain its appeal as a defensive stock. If it continues, its operational gearing alone should secure decent profits growth. A lingering uncertainty is UK policy on waste recycling, though any new legislation is less likely to affect growth areas such as medical packaging. The tissue business also sits badly in the new Bowater, but cannot be sold without its former US partner, Scott, having first refusal. Given Scott's stretched balance sheet, a disposal may be some time coming. Bowater can afford to wait.

Sun Alliance

With insurance shares trading at a handsome premium to net asset value, woe betide the company which does not deliver growth in shareholders' funds. While the underwriting recovery at Sun Alliance during the first half is in line with the competition, investment gains were washed away by goodwill write-offs and declining property values overseas. For those who regard Sun as a geared play on rising UK equities, that is especially disappointing. The 5 per cent fall in the shares reflects as much.

With its balance sheet strengthened by investment gains since the half year, and the promised preference share issue to come, Sun will doubtless maintain its heavy weighting in UK equities and property. Its following should thus be undiminished despite yesterday's setback, at least among investors who believe a new era of asset price inflation is around the corner. For those less bullish on inflation, though, the question is whether investment gains will be frittered away by mistakes on the insurance side.

The acquisition of Denmark's Hafnia, which gave rise to half the goodwill write-off, looks safe enough. The investment should show a decent return if promised rate increases and cost savings come through. Being forced to buy out the minority from Swinton at a price agreed two years ago is more of an embarrassment, especially since the high street insurance broker is now trading at a loss. It will take time to avoid a mishap on a par with insurers' attempts to buy distribution through estate agents.

Rights issues have raised £857m for Bowater since 1987. But the money has been spent on acquisitions which have moved it decisively into the higher value-added end of packaging, while leaving gearing of less than 50 per

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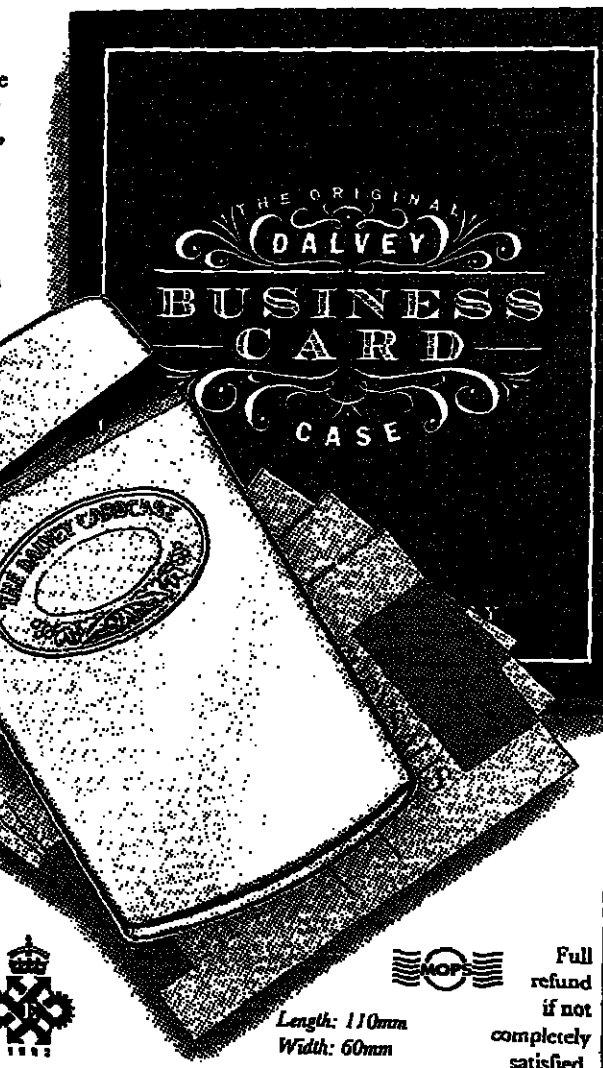
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FT WORLD WEATHER

Europe today

Most of Scandinavia will be overcast as a result of a depression over Finland. Rain will fall over Finland and the west coast of Norway. The Low Countries and Scotland will have a few sunny breaks, but elsewhere in north-western Europe it will be cloudy with some patchy rain. Eastern Europe and the Alps will be rainy with unseasonably cool afternoon temperatures. Low pressure over northern Italy will produce showers over the whole country. The Balkans will have sunny intervals, but this evening some thunder showers may form over the former Yugoslavia and Hungary. Spain and Portugal will be rather sunny and mainly dry with afternoon readings up to 33C in the south.

Five-day forecast

The British Isles will have sunny intervals and mainly dry conditions this weekend. Next week will be cloudy with outbreaks of rain. Northern, central and eastern Europe will continue cool, with rain especially this weekend in the east. Next week, sunny intervals will dominate and temperatures will rise to more seasonal values. South-west Europe will continue warm and mainly sunny. The south-east will have showers and some thunder.

TODAY'S TEMPERATURES

Munich	17	Cardiff	17	Frankfurt	19	Malta	28	Rio	25
Belfast	17	Chicago	23	Geneva	19	Manchester	18	Riyadh	42
Berlin	16	Cologne	16	Glasgow	17	Moscow	15	Rome	25
Bombay	29	Dallas	21	Hamburg	17	Mexico City	21	S. Francisco	25
Bombay	29	Dallas	21	Helsinki	17	Miami	22	Singapore	30
Bombay	29	Dallas	21	Hong Kong	29	Milan	22	Stockholm	13
Bombay	29	Dallas	21	Hong Kong	29	Montreal	22	Strasbourg	20
Bombay	29	Dallas	21	Hong Kong	29	Moscow	15	Sydney	16
Bombay	29	Dallas	21	Hong Kong	29	Moscow	15	Taipei	26
Bombay	29	Dallas	21	Hong Kong	29	Moscow	15	Tokyo	28
Bombay	29	Dallas	21	Hong Kong	29	Moscow	15	Toronto	25
Bombay	29	Dallas	21	Hong Kong	29	Moscow	15	Winnipeg	15
Bombay	29	Dallas	21	Hong Kong	29	Moscow	15	Zurich	18

Forecasts by Meteo Consult of the Netherlands

Lufthansa, Your Airline.

Lufthansa
German Airlines

INTERNATIONAL COMPANIES AND FINANCE

Ahlstrom gets FM1.45bn for its Enso-Gutzeit stake

By Christopher Brown-Humes in Stockholm

AHLSTROM, the Finnish machinery and paper group, yesterday placed its 17.5 per cent stake in Enso-Gutzeit, one of Finland's leading forestry groups, with international investors for FM1.45bn (\$246m).

The stake was acquired a year ago as payment for 100,000 hectares of forest in south-eastern Finland.

It is a highly profitable deal for Ahlstrom as it gained FM38.7 for each of the 37.4m shares sold, compared with an acquisition value of FM20 per share. The price reflects the strong performance of the Finnish forestry sector this year where exports have

climbed sharply, despite weak market conditions, due to the 30 per cent depreciation of the markka since November 1991.

The shares were placed by Barclays de Zoete Wedd at just under the FM39.3 price at which they closed on the Helsinki stock exchange on Wednesday.

Ahlstrom received both R class and A class shares when it sold its forest land to Enso last December in a FM928m deal. All the R class shares, carrying one-tenth of a vote, are now being sold, but the group is retaining its holding of 6.8m one-vote A class shares which it acquired for FM27 each.

Mr Krister Ahlstrom, chief executive, said the proceeds

would be used to pay down the group's debt, which at the end of last year stood at FM8.6bn.

He said Ahlstrom had always intended to sell the shares when the price reached a certain target, but he had been surprised at how quickly this had been met. "This was not a strategic holding," he said, adding that the company was likely to sell its remaining shares in due course.

Enso-Gutzeit is Europe's largest producer of sawn timber and liquid packaging board, and the continent's fourth largest producer of newsprint. The state remains its largest shareholder, directly or indirectly controlling 58 per cent of the shares and 78 per cent of the votes.

Weak areas fail to hold back Dutch insurer

By David Brown in Amsterdam

INTERNATIONALE Nederlanden Groep, the Dutch banking and insurance company, reported a solid first-half performance despite the dampening effects of losses in its reinsurance business and weaker earnings in the non-life sector.

Net profit advanced to F1 897m (\$490.9m), representing a rise of 8.9 per cent after adjustments which reflect new accounting principles adopted in the first quarter.

The group announced an interim dividend of F1 1.60 per share, on a net per-share profit of F1 3.82, and also forecast full-year net earnings of F1 7.52 of 1992.

ING said it would take a F1 400m extraordinary charge for its Orion and Nederlandse Reassurantie Groep units, which would be taken from the F1 2.5bn extraordinary provision announced earlier this year.

This charge should be sufficient to cover any losses stemming from claims against the two units, whose financial results have been excluded from the consolidated ING results from April 1 1993. Their book value has been written down to zero.

In reinsurance, ING slipped from a first-half profit of F1 8m to a loss of F1 8m this year. Non-life insurance profits before tax slipped back by over a third to F1 37m, but showed signs of improvement relative to the first quarter.

By far the most powerful engine of growth was the banking division, where pre-tax earnings pushed ahead by 15 per cent, or F1 84m, to F1 634m for the first half, helped particularly by strong returns from the trading operations.

ING also posted a strong rise in its life insurance unit, particularly in the Netherlands, North America and Australia; earnings before tax advanced by F1 39m to F1 328m.

The general insurance operation reported a 7.5 per cent advance to F1 258m.

Canadian banks beat loan problems

By Robert Gibbons in Montreal

CANADA'S two biggest chartered banks have reported much improved results for the third quarter, despite continuing property and corporate loan problems.

Royal Bank of Canada's net profit for the three months ended July was C\$223m (US\$188.9m), or 58 cents a share, double the C\$112m, or 26 cents, of the 1992 period.

Nine-month profit was C\$720m, or C\$1.93, up 24 per cent from C\$580m, or C\$1.58. Return on assets was 0.69 per cent against 0.57 per cent and on equity 13.4 per cent against 10.3 per cent.

Although loan losses were higher, the trend in revenues and expenses was favourable. Results benefited from higher fee income and good results from the brokerage subsidiary. Loan losses this year will total C\$1bn, up C\$180m from April 30.

Canadian Imperial Bank of Commerce reported net profit of C\$190m, or 75 cents a share, in the third quarter, against C\$186m, or 75 cents.

Nine-month profit was C\$539m, or C\$2.24, against a loss of C\$33m, or 68 cents, after a C\$1bn special loan loss provision.

Third-quarter net interest income rose 7 per cent and

good earnings from investment banking and heavy home mortgage business helped. The rise in non-interest expense was held to 4 per cent after including the cost of entering insurance and trust operations.

Non-performing loans continued to decline and the overall ratio to total loans was 2.6 per cent at end July, down from 3.1 per cent at the end of January. The total loan loss provision for fiscal 1993 is being increased by C\$40m to C\$92m.

The Canadian brokerage industry, helped by surging stock markets and new bond and share underwriting business, posted record first-half profits.

The 137 member-firms of the Investment Dealers' Association of Canada, representing the bulk of the industry, had net profit of C\$360m, more than double the C\$169m reported for the first half of 1992. The total surpassed the previous annual record profit of C\$388m set in 1991.

Commissions totalled C\$1.07m, up 55 per cent, and represented 42 per cent of total gross revenues. Mutual fund (unit trust) commissions now make up 20 per cent of total commissions.

About C\$12bn was raised in new equity in the first half and underwriting revenues were up 57 per cent to C\$560m.

Heineken ahead at midterm

By David Brown

HEINEKEN, Europe's largest brewer, reports a first-half rise in net profits before extraordinary items of 11.3 per cent, but says margins will be squeezed and the rate of earnings growth will likely slow in the second half.

Heineken said this slowdown would be due primarily to market conditions, and was based on the assumption that costs stemming from last week's recall of 3.4m faulty beer bottles could be contained and even recovered.

In the first half, earnings on ordinary operations advanced

to F1 220m (\$118.2m) from F1 197m. This was in spite of a decline in turnover to F1 4.52bn amid weak demand in Europe.

Heineken said it was able to maintain and in some cases extend its market share in Europe, which accounts for more than two thirds of total turnover, even though the overall market was in decline with low volume sales.

The decline was particularly pronounced in Spain, Italy, France and the Netherlands, the group reported, while Asia and North America remained strong markets for Dutch-brewed exports. Margins were

maintained due in part to robust sales in the premium end of these markets, with lagers sold under the Heineken and Amstel brand names.

Heineken also attributed its performance to lower restructuring provisions, and the lower costs that have resulted from earlier rationalisation. The workforce was reduced 5 per cent to 24,020 over the past year.

Heineken's 51 per cent-owned El Aguila subsidiary cut losses from Pt5.23bn (\$3.1m) to Pt3.10bn, although the figure for the first half of 1992 included a Pt2.9bn charge for restructuring.

Germany plans defence sale to US

By Ariane Genillard in Bonn

THE German government will sell a 45 per cent stake in a Bavaria-based defence group to Braddock Dunn McDonald of the US for an undisclosed sum.

The government will sell its stake in Industrieanlagen-Betriebsgesellschaft (IABG), 98 per cent owned subsidiary of the Industrieverwaltungs-gesellschaft (IVG), a company holding properties and land. IVG is 50 per cent owned by the government.

The government said the IABG sale was part of its newly announced plan to sell state-owned companies.

IABG, which has a turnover of DM324m (\$185.1m) and employs 1,500 people, is active in manufacturing software and logistics systems used by the German defence ministry. It is also involved in running one of the three testing centres of the European Space Agency, according to the finance ministry in Bonn.

The federal ministry for research and development will

retain an option to take over the activities of IABG in the testing centre through a subsidiary of the German Institute for Aerospace Research, created for this purpose.

IABG reported profits in 1992 after three consecutive years of losses, due to fewer contracts in the defence sector. Turnover last year rose by 13 per cent.

The government said it would keep a 15 per cent stake in IABG and the rest, excluding the US group's holding, is expected to be placed with German companies.

Ladbroke chairman retires after 37 years

By Michael Skopnik, Leisure Industries Correspondent

MR CYRIL Stein, who has headed Ladbroke Group, the UK hotels, betting, property and do-it-yourself group, for 37 years, is to retire as chairman at the end of the year. Mr Stein, who is 65, will remain a non-executive director for another three years.

Mr John Jackson, a 64-year-old non-executive director, moves from vice-chairman to chairman. Mr Peter George, 49, vice-chairman and joint managing director, will become chief executive.

The group yesterday

announced an unchanged 4.3p interim dividend for the half year to June 30, despite a fall in pre-tax profits to £22.5m (\$34.3m) from £24.4m. Earnings per share declined to 3.98p from 4.73p. Net borrowings at the half year were £1.34bn, the same as in December, leaving gearing at 53 per cent.

Mr Jackson said the board had decided it would not be right to cut the dividend when it appeared business prospects were improving.

"Things are looking a darn sight better than a year ago," he said, adding that the proper time to take a decision on whether to cut the dividend

was after the year-end.

Turnover increased to £2.21bn from £1.99bn. Profit in the hotels division slipped to £44.4m from £49.3m on turnover of £431.6m, up from £383.2m. Room occupancies were down in continental Europe, the Americas, the Middle East and Japan. They were up slightly in the rest of Asia.

Mr George said the UK was a bright spot for the hotels division, with London showing a healthy improvement.

Horse racing profits rose to £40.5m from £36m on turnover of £1.33bn against £1.2bn. The group said it expected to benefit from further deregulation of

the betting industry. Property showed a profit of £800,000 after last year's loss of £14.8m.

At Texas Homecare, profits fell to £15.7m from £26.8m on virtually unchanged turnover of £365.4m. Mr George said margins had suffered on large items, such as kitchens, bathrooms and furniture. Even those now moving home appeared to be more cautious than in the past about spending.

He said Texas had made substantial progress in reducing stocks and was relying more heavily on delivering directly from suppliers to customers. Lex, Page 16

NEWS DIGEST

Banque Générale advances 16%

BANQUE Générale du Luxembourg increased its net profit by 16 per cent to LFr975m (\$27.31m) from LFr840m in the first half of 1993, writes Andrew Hill in Brussels.

The group, one of Luxembourg's biggest banks, said it had benefited from a strong increase in interest, commission and trading income. Its balance sheet at June 30 totalled LFr688bn, up 6.2 per cent on the end of last year.

Banque Générale customer deposits were also up LFr63.5bn to LFr493bn at June

30, a rise of nearly 11 per cent. The company said the economic slowdown had led to increased use of existing credit lines and advances by private and corporate customers, but new loan applications had dropped.

Procordia to change name as units split

PROCORDIA is to change its name to Pharmacia after the Swedish group splits into separate pharmaceutical and consumer products units later this year, writes Christopher Brown-Humes.

Mr Jan Ekberg, head of Procordia, will be Pharmacia's chief executive.

Procordia is being split following an agreement in June between its two main owners,

the Swedish government and Volvo, the car and truck maker. Volvo will gain a 74 per cent stake in the group's consumer products operations, and a 25 per cent holding in the pharmaceutical and biotechnology businesses to be grouped within Pharmacia.

The government will be the majority owner in Pharmacia, although it is likely to sell its stake next year. Pharmacia includes 51 per cent of Erbamont, the Italian drugs company which Procordia bought from Montedison in May.

Banks battle to advise on Tofas

SCHROEDERS, the UK merchant bank, and Shearson Lehman Brothers, the US bank, are bidding to advise the Turk-

ish government on the sale of its 22 per cent stake in Tofas, the local Fiat subsidiary, in what would be the largest international listing of a leading Turkish company, writes John Murray Brown in Ankara.

The banks were yesterday in negotiations in Ankara with the Public Participation Administration (PPA), the government agency handling state sales to the public. A decision on the sale is expected shortly. The PPA is considering plans for either a share listing on the New York Stock Exchange or a direct placement to US institutions.

The issue would be worth \$600m at current prices, and would give a buyer a stake in Turkey's largest car business. The government hopes to conclude the deal this year.

GREYCOAT PLC

£50 million Zero Coupon Bonds due 1995

(the "Zero Coupon Bonds")

Notice to bondholders

The Board of Greycoat PLC yesterday posted to its shareholders a circular (the "Circular") giving details of the proposed financial restructuring of the company. The proposed financial restructuring includes proposals affecting holders of Zero Coupon Bonds.

The Circular includes a notice convening a meeting of holders of Zero Coupon Bonds at 10.03 am (London time) on 8 October 1993, at the New Connaught Rooms, Covent Garden Exhibition Centre, Great Queen Street, London, WC2B 5DA.

Holders of Zero Coupon Bonds requiring a copy of the Circular and of the Offering Circular relating to the securities to be issued in Exchange for the bonds and/or seeking further information are advised to contact:

Nigel King or Ken Beiser
Solomon Brothers International Limited
Victoria Plaza
111 Buckingham Palace Road
London
SW1W 0SB

Tel: London (71) 721 3790
Fax: London (71) 731 7994

3 September, 1993

GREYCOAT PLC

£150 million Stepped Coupon Discount

First Mortgage Notes due April 2002

(the "Britannic Bonds")

Notice to bondholders

The Board of Greycoat PLC yesterday posted to its shareholders a circular (the "Circular") giving details of the proposed financial restructuring of the company. The proposed financial restructuring includes proposals affecting holders of Britannic Bonds.

The Circular includes a notice convening a meeting of holders of Britannic Bonds at 10.04 am (London time) on 8 October 1993, at the New Connaught Rooms, Covent Garden Exhibition Centre, Great Queen Street, London, WC2B 5DA.

Holders of Britannic Bonds requiring a copy of the Circular and/or seeking further information are advised to contact:

Nigel King or Ken Beiser
Solomon Brothers International Limited
Victoria Plaza
111 Buckingham Palace Road
London
SW1W 0SB

Tel: London (71) 721 3790
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3 September, 1993

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ELECTRICITE DE FRANCE (EDF)
USD 400,000,000
Floating rate notes due February 1999

The applicable interest rate for the period beginning on 31 August 1993 and ending on 28 February 1994 as fixed by the reference agent is 5.25 per cent per annum namely USD 263.96 by the denomination of USD 10,000

Appointments
Advertising appears
every Wednesday and
Thursday (UK)
and Friday
(in the Int'l edition only)

Obayashi Finance International (Netherlands) B.V.
¥4,500,000,000
Floating Rate Notes due 1997

Interest Rate: 4.32% p.a.
Interest Period: 3rd September, 1993 to 3rd March, 1994

Coupon Amount: ¥2,142,247
10m Notes of ¥100,000,000
Payment Date: 3rd March, 1994
Salara Trust International Limited
Fiscal Agent
3rd September, 1993

Obayashi Finance International (Netherlands) B.V.
¥4,500,000,000
Floating Rate Notes due 1997

MEXCAY LIMITED

Series 5

US \$6,620,000

Tranche 11

Notes due September, 1998

US \$14,000,000

Tranche 12

Notes due September, 1998

In accordance with article 4(b) of the Terms and Conditions of the Notes, notice is hereby given that the above Notes will be redeemed early at the option of the issuer on September 15, 1993 at a redemption price of 105% of their principal amount.

For and on behalf of the issuer
Banque Paribas Luxembourg
Société Anonyme

US \$14,000,000
Notes due September, 1998

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Payment Date: 3rd March, 1994
Salara Trust International Limited
Fiscal Agent
3rd September, 1993

C&G

Cheltenham & Gloucester Building Society

£125,000,000

Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th November, 1993 has been fixed at 0.0625% per annum. The interest accruing for such three month period will be £16.15 per £100,000 of Notes, and £1,511.47 per £100,000 of Notes, on 30th November, 1993, against presentation of Coupon No. 15.

United Bank of Switzerland
London Branch Agent Bank
3rd August, 1993

Obayashi Finance International (Netherlands) B.V.
¥4,500,000,000
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Fiscal Agent
3rd September, 1993

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ARGENT

BANKING

INTERNATIONAL COMPANIES AND FINANCE

Cost controls help Sasol to 14% profits increase

By Philip Gawth
in Johannesburg

SASOL, the South African synthetic fuel and chemicals group, out-performed stock market expectations in the year ended June, lifting net attributable profits by 14.4 per cent to R1.3bn (\$396m), and paying a higher dividend.

Higher volumes and currency depreciation helped raise turnover 5 per cent to R2.5bn, despite mostly weaker selling prices.

Pre-tax profits rose 19.9 per cent to R1.84bn, reflecting reduced interest charges of R122m - against R228.6m - and stringent cost control.

The company, which esti-

mates a modest improvement in earnings for the current year, is stepping up its dividend from 78 cents a share to 88 cents.

Costs rose by only 3.5 per cent, well below the inflation rate. This was largely due to a 15 per cent cut in staff numbers. Mr Joe Stegmann, chairman, said the cost performance was well beyond normal belt-tightening.

The increase in attributable earnings includes provision for R100m to be transferred to a tax equalisation fund. This is in anticipation of a jump in the group's tax rate, to more than 30 per cent next year from less than 20 per cent this year as various tax allowances lapse.

A divisional breakdown of group profits shows that 41 per cent came from synthetic fuels, 22 per cent from coal, 26 per cent from crude oil refining, fuels marketing and gas, and 12 per cent from petrochemicals, fertilisers, explosives and polymers.

The good parts of the group's performance had been higher sales volumes and better profits from coal and fuels marketing. These were counteracted by lower refining margins and severely depressed chemicals prices.

Mr Kruger said the proposed joint venture with AECI's plastics and chlor-alkali business would go ahead subject to competition board approval.

Iacocca resigns as Chrysler director

By Martin Dickson
in New York

MR Lee Iacocca, who retired as chairman of Chrysler last December, yesterday unexpectedly resigned as a director of the automotive group and chairman of its boardroom executive committee.

He had been scheduled to remain as chairman of the executive committee until the end of 1994, but neither he nor the company offered any substantive reason for the sudden



Lee Iacocca: 'time to let younger people do the driving'

change of plans.

This prompted speculation on Wall Street that the departure stemmed from boardroom friction between Mr Iacocca and his successor as chairman of the group, Mr Robert Eaton, who will now also take over as head of the executive committee.

Mr Iacocca, 68, will remain as a Chrysler consultant to the end of 1994.

He said: "It's not fashionable for former chief executives to serve on the boards of their companies any more. It's been a fantastic ride, but it's time to let the younger people do the driving."

His departure from the board marks the end of an era at Chrysler. The outgoing, feisty Mr Iacocca has been synonymous with the company since the late 1970s, when he joined the company from Ford Motor and saved the business from bankruptcy.

Browning-Ferris in \$520m takeover

By Karen Zagor in New York

BROWNING-FERRIS Industries, one of the biggest US waste management companies, is to acquire Western Waste Industries in a share-swap deal valued at about \$520m. The deal includes the acquisition of Western's debt.

Browning-Ferris said the merger would expand its core waste services business significantly, especially in southern California.

The combined companies will have revenues of more than \$3.6bn, of which about \$230,000 will be from Western's operations.

On Wall Street, shares in

Western soared 4% to \$21 1/2 at mid-session, while Browning-Ferris eased 5% to \$24 1/2.

Under the terms of the letter of intent, each share of Western common stock would be exchanged for 1.02 shares in Browning-Ferris. The deal is subject to renegotiation if Browning-Ferris' common share price rises above \$30 or falls below \$20. Browning-Ferris does not expect the acquisition to dilute earnings.

Western has agreed not to invite bids or inquiries from other parties while the transaction is pending.

The merger is expected to be a tax-free reorganisation which would be accounted for as

pooling of interests.

Although analysts expect Browning-Ferris to benefit from the move into southern California, some were concerned that it had paid too much for Western. Western's shares have closed no higher than \$17 in the past 52 weeks, and the stock's all-time high is \$23 1/2.

In recent years, Browning-Ferris has been plagued by permit problems at its largest landfills, in addition to the pricing pressures which have been felt throughout the entire industry.

The company's earnings fell steadily in the early 1990s before starting to improve this

year. Browning-Ferris' net income for the nine months ended June was \$144.4m including a pre-tax reorganisation charge of \$27m, compared with net income of \$125.4m a year earlier.

It said most of its third-quarter revenue growth came from acquisitions. The company completed 33 acquisitions in north America during the quarter with annualised revenues of about \$41m.

It plans to establish a Western Waste division, headed by Mr Kosti Shrivani, president and chief executive of Western. The takeover is subject to the negotiation and execution of a definitive merger agreement.

Delta warns it may cut routes

By Karen Zagor

DELTA Air Lines, one of the three big US carriers, has warned it may have to cancel unprofitable routes. The warning comes despite an improvement in its loss-making transatlantic routes over the summer.

Mr Ron Allen, chairman, admitted that the company's foray into Europe had been more difficult than expected. Delta was essentially a domestic carrier until it bought Pan Am's transatlantic routes two years ago.

"We have had lower market share, poorer economic conditions, higher structural costs and greater start-up costs than anticipated over the north Atlantic," he said. "Pan Am had a name that was known around the world. Delta's name is not that well known around the world."

Mr Allen said Delta's transatlantic performance had improved between June and August, with its load factor rising to 73 per cent from 70 per cent and revenues at its Frankfurt hub up about 50 per cent. Although he would not say

whether the routes had been profitable over summer, he did say: "If we can keep on the present trends, then I think it [the transatlantic routes] can be a profitable contributor in 1994."

The carrier has already cancelled some of its German routes. Mr Allen said: "We will do more of this as we look at our summer results and decide which routes cannot be profitable." Some routes may be consolidated. He said Delta had no plans to leave any markets entirely, nor was it planning a radical restructuring.

Western Mining trims dividend

by Bruce Jacques

WESTERN Mining, the Australian commodities producer, reports a modest earnings lift for the year ended June but is cutting its dividend from 11 to 10 cents a share.

Equity accounted net profit improved 3 per cent to A\$165.5m (US\$110.6m), helped by improved contributions from aluminium, copper and uranium. The result, on a 2 per cent sales fall to A\$1.61bn, stemmed mostly from continued strong results at the company's integrated aluminium associate, Alcoa of Australia.

Cargill earnings slip 20%

By Laurie Morse in Chicago

CARGILL, the Minneapolis-based international commodities merchandising firm, reported a 20 per cent slide in fiscal year 1993 earnings, to \$348m. Sales for the year rose slightly to \$47bn, while cash flow, at \$1.01bn, dropped slightly.

The secretive and closely-held company only began reporting results last year, when it initiated an employee stock ownership programme.

Cargill said despite the earnings decline, fiscal 1993 was its third-best year in its 130-year history.

Mr Robert Lumpkins, senior vice-president and chief financial officer, said operations within the US were stronger than ever.

However, activity outside North America was adversely affected by reduced acreage in the EC, currency fluctuations, political instability within parts of South America, and continuing credit problems among Cargill's leading customers, including the former Soviet Union.

"Many of the economic and other factors negatively influencing the global business environment had been anticipated," Mr Lumpkins said.

Avon forecasts shortfall in net

By Frank McGurty in New York

AVON PRODUCTS, the US cosmetics, toiletries and jewellery group, yesterday warned that third-quarter earnings would fall short of its results for the same period of 1992.

Last time it posted net income of \$53.9m, or 75 cents a share, on revenues of \$938.8m.

With analysts anticipating earnings per share of about 85 cents in the current quarter, the announcement prompted a sharp reaction on Wall Street.

By mid-session, the company's shares were down 5% to

\$54 1/2 in heavy trading.

Avon blamed the third-quarter performance on continued sluggishness of the US economy, combined with the cost of implementing "changes designed to reorient and redirect the US business."

The company, best known for its worldwide force of door-to-door sales representatives, has nearly quadrupled its advertising spending this year, primarily to support Avon Select, a direct marketing scheme allowing customers to order beauty products by telephone, fax or mail.

"If customers would start to spend as a result of the increased advertising, we would be fine," Avon said.

In the second quarter, Avon's US sales gained 2 per cent on the prior year, but pre-tax profit on the domestic side slid 7 per cent because of the stepped-up marketing effort.

However, the company is optimistic that sales and earnings will improve during the remainder of the year, and expects fourth-quarter and full-year results to show increases over comparable periods of 1992.

Amcor raises annual payout after 18% lift

By Bruce Jacques in Sydney

AMCOR, the Australian paper and packaging group, has increased sales, earnings and dividends in the year ended June, despite recession in many of its key markets.

The company yesterday announced an 18 per cent net profit rise to A\$314.9m (US\$212.7m) on a 17 per cent sales lift to A\$4.82bn. The dividend is going up from 28 cents to 31 cents. Earnings benefited from extra liquidity following the sale of the remaining interest in former transport associate Mayne Nickless.

Asset disposals produced an A\$68.5m abnormal gain.

Pfizer's shares surge as valve claims are settled

By Karen Zagor

PFIZER, the big US pharmaceutical company, yesterday said it had settled the bulk of lawsuits involving its Shiley heart valve.

Pfizer would not reveal the terms of the settlement but said it would have no material adverse effect on its finances.

The news helped lift shares in Pfizer 2 1/2% to \$65 on Wall Street in morning trading.

Mr Paul Miller, Pfizer's general counsel, said: "We continue to believe there is no basis for people with functioning valves to recover damages, but the company wants to put this time-consuming and costly litigation behind it and to

focus on more productive activities."

Pfizer has been involved with Shiley litigation for many years. While the company has never admitted that the valve is defective, about 400 recipients of the artificial heart valve have died or suffered from its fracture. It was taken off the world market in 1986.

In 1992, the company forwarded a plan to resolve disputes in a Cincinnati court which included a \$215m class action settlement plus \$300m in reserves for fracture claims. Earlier this year, a California appeals court upheld a ruling allowing non-California residents to file Shiley-related lawsuits in the state.

Rights issue by S African gold group

By Philip Gawth

A R250m (\$74.2m) rights offer opens today for Eastvaal Gold, the company financing the development of the R1.7bn Moab gold mine, one of the largest high-grade gold deposits remaining in South Africa.

Eastvaal, which until now has been privately held within the Anglo American group, will also be listed on the Johannesburg Stock Exchange later this month.

The Moab project will be the No 11 shaft at the Vaal Reef complex, one of South Africa's richest gold mines. Vaal Reef is managed by the Anglo American group, the world's largest gold producer.

Mr Clem Suter, chairman of Eastvaal and Anglo's gold and uranium division, said the project was a vote of confidence in the future of gold. He believes the gold market will have tightened by the turn of the decade, when the mine comes fully on stream.

Production at Moab will start in 1997. In peak production years, it will produce between 12 and 13 tonnes a year, at an estimated recovery grade of 11.2 grams/tonne. The mine will have a life of 28 years.

The issue will cover the after-tax capital expenditure on the project until early 1995. In escalated terms, it will eventually cost R3.1bn to bring the mine to full production.

elf sanofi

EARNINGS MAINTAINED IN FIRST HALF OF 1993

In the first half of 1993, Elf Sanofi's earnings rose by 0.9%.

Within an adverse economic and monetary context, this performance reveals the sound complementarity of the company's various business segments in the composition of net earnings. This year in particular, it integrates the sharp rise in earnings generated by Yves Rocher and Chinoir.

Consolidated earnings (in millions of FRF)	1st half 1993	1st half 1992
Sales	10,583	10,880
Operating margin	900	1,082
Contribution of companies consolidated by the equity method	84	(4)
Net earnings	456	452

In terms of business operations, the pharmaceutical sector succeeded in limiting the impact on earnings - which was considerable in the first quarter of the year - of government measures taken in Germany and Italy, markets where Sanofi Winthrop has strong presence.

The very rapid growth of clinical development expenditure was pursued, aided by the sharing of some costs with Sterling Winthrop and Bristol Myers-Squibb.

The drop in selling prices in the Bio-Industries sector, which are highly sensitive to economic situations, resulted in lower profitability for the Bio-Activities segment. Earnings from the Agri-Veterinary business remained stable.

Within an exceptionally depressed operating environment, the Perfumes and Beauty Products segment stepped up commercial efforts in the first half of the year in order to maintain its market positions. Perry Ellis launched a new fragrance, 360°, in the United States and preparations for the launch of a new women's perfume by Van Cleef & Arpels were pursued.

Chinoir, in which Sanofi Winthrop recently acquired a majority stake, was consolidated by the equity method and will be fully consolidated as from July 1, 1993.

The Yves Saint Laurent Groupe will be consolidated as from July 1, 1993.

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CHIA HSIN CEMENT CORPORATION Global Depositary Receipt Issued by Morgan Guaranty Trust Company of New York Public Announcement of Issuing New Shares

(1) On April 23, 1993, the general shareholders meeting of Chia Hsin Cement Corporation resolved to increase paid-in capital by declaring stock dividends of NT\$381,057,600 (38,105,760 shares). The stock dividend was paid out from retained earnings of NT\$190,528,800 and capital reserves of NT\$190,528,800. Application for such issuance was approved by the Securities and Exchange Commission of R.O.C. on July 29, 1993.

(2) The record date for distribution of new shares has been established on August 30, 1993. Stock dividend paid out of retained earnings will be distributed on the basis of 50 new shares per 1,000 registered shares owned, and stock dividend paid out of Capital Reserves shall be distributed on the basis of 50 new shares per 1,000 registered shares according to the records of holding shares in the shareholders' register as of the record date.

Arrangements for GDR-Holders.

GDR-Holders will receive:

- (a) GDRs distributed from Capital Reserves - 50 GDRs per 1,000 GDRs owned.
- (b) GDRs distributed from Retained Reserves - approx. 44 GDRs per 1,000 GDRs owned.

(c) Note: If the number of GDRs to which any GDR-Holder is entitled is not 100 or an integral multiple thereof, the Depositary shall endeavor to arrange for the sale of such shares and the net proceeds of sale shall be distributed to the GDR-Holder entitled thereto.

(d) Remaining cash. (1) 25% R.O.C. withholding tax will be charged on the par value of the stock dividend out of retained earnings received by a non-resident GDR-Holder. In order to cover this withholding tax approximately 6 (six) out of each 50 GDRs entitled will be sold.

Distribution of new shares and cash is expected to be at the end of November 1993.

Depositary: Morgan Guaranty Trust Company of New York

35, Avenue des Arts, B-1049 Brussels.

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COMPANY NEWS: UK

Sun Alliance recovers and plans share issue

By Richard Lapper

SUN ALLIANCE, the composite insurer, yesterday reported pre-tax profits of £61.7m for the first six months of 1993 and announced plans to raise capital to take advantage of improved trading conditions.

The figures, which compared with a previous loss of £97.5m, reflected rises in premium rates, falling claims in some lines and cuts in costs.

Plans to raise up to £300m by way of a new preference share issue will allow the group to take advantage of "attractive opportunities" in the UK market when these arise, as well as continuing the repair work to the group's balance sheet following heavy losses in the last three years.

In spite of the improvement in the results the market was unimpressed and the shares

closed 20p down at 367p.

Analysts suggested that a less than expected rise in net asset value to £1.56m - compared with £1.55m at December 31 - depressed sentiment. Despite increases in the value of equity holdings, goodwill write-offs, including those related to the acquisition of Hafnia, the Danish insurer, and the purchase of remaining minorities in Swinton, the insurance broker, held back growth in net assets.

Earnings per share amounted to 5.2p (losses of 14.1p). The interim dividend is maintained at 5.25p.

Mr Roger Neville, group chief executive, said the profits reflected a "substantial improvement in all major operations including insurance profits in UK personal business and overseas and a significant increase in life profits".

Losses on UK domestic mortgage indemnity business have fallen to £60m from £108m in the first half of 1992, but like its UK rivals, the company has benefited from a rise in premium rates and a fall-off in claims in some lines.

Underwriting losses fell to £153.1m (£280.8). The improvement was heavily concentrated in the UK where losses fell from £244.7m to £100.8m, despite net losses of some £25m from the Bishopsgate bomb in April.

Life profits increased substantially from £27.3m to £38.3m. Income from new annual premiums in the UK expanded by 6 per cent. Investment and other income rose to £176.5m (£155.5m). Premium income from general business increased to £1.73bn (£1.46bn), but income from life insurance fell to £509m (£527.9m).

Stein dismounts but remains in training

Michael Skapinker considers how the changes at the top of Ladbroke will work

MR Cyril Stein, who is to step down as chairman of Ladbroke after 27 years, spent yesterday in bed with a temperature.

The fever prevented him from appearing in public to talk about the interim results, announced yesterday, or to recount how he turned what was once a bookmaker to a market capitalisation of more than £2bn and interests including the Hilton International hotel chain, betting shops, property and DIY stores.

Having to give interviews over the telephone from his sick bed has clearly not dimmed his sense of humour.

Nor has it lessened his determination to continue playing a leading role at Ladbroke even after the end of the year, when he officially steps down.

Did he regard yesterday as a momentous occasion? "Yes," he chuckled. "The property division made a profit."

The group announced that Mr John Jackson, at present non-executive vice chairman, is to become non-executive chairman. Mr Peter George, vice chairman and joint managing director, will take over as chief executive.

Mr Stein will remain a non-executive director for three years and act as non-executive chairman of the property division.

Mr Jackson and Mr George, interviewed at the London Hilton on Park Lane, seemed quite clear about what the change would mean.

Mr Jackson stressed that Ladbroke would now be led by a team rather than a charismatic individual.

Mr Stein made it apparent that Ladbroke would benefit from his charisma and experience for at least the next three years.

Mr Jackson said: "Cyril Stein is a very powerful personality. It's almost certainly a mistake to secure the succession of such a person by finding a clone. The way to provide for the succession is with a highly motivated, well-trained team. Peter will be very much the leader of a powerful team."

Mr Jackson added that Mr Stein's continuing presence would not cause his successors

problems. "It was a matter of discussion between Cyril Stein and myself. Cyril is a very moral person. Under no circumstances would he create difficulties."

Mr Stein said yesterday that the change meant he would no longer have the final say on group policy. "I will have my word, but not the final word," he stressed, however, that he

He would receive the same weekly report papers he gets now. "I will have no hesitation talking to the divisions or the heads of divisions," he said.

"A non-executive has the same power as an executive director. I will talk to Peter. I will talk to John. We've worked for some time as a team. To a large extent that's the way it will go on."

Why retire as chairman, in that case? "I'm 65. I think every company should open the windows and let some fresh air in from time to time. I planned this two years ago when I made Peter George joint managing director."

"I'm going to serve another three years, but it does give encouragement to people down the line. When I phoned the 36-year old who runs our US property division, he said: 'One down, 11 to go.'"

Mr Stein's reluctance to make a clean break could be seen as understandable for two reasons. The first is that Ladbroke, as it exists today, is largely his creation.

Originally founded more than 100 years ago in the village of Ladbroke, Warwickshire, the company began by taking bets on horse races from a select group of customers. Only those who had personal entries in Derby's were accepted.

In 1956, Ladbroke was acquired by a consortium, Beaver Holdings, and Mr Stein became managing director.

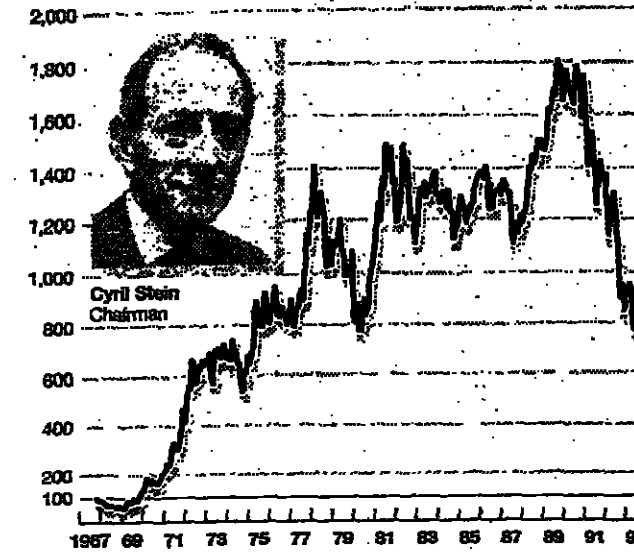
In those days, the company used to make profits of between £60,000 and £70,000 a year, Mr Stein recalled. "If the favourite won the Derby, we'd lose a year."

The legalisation of off-track betting in 1983 provided Ladbroke with the opportunity to expand its reach beyond the confines of high society.

In 1968, Mr Stein became chairman, leading the company a year later with an initial market capitalisation of

Ladbroke Group: Cyril Stein's creation

Share price relative to the FT-AI Share Index



Source: Datastream

a little less than £1m.

In the 1970s, Ladbroke's expanded into property and hotels. It also went into casinos, which provided Mr Stein with the worst setback of his career.

In 1979, Ladbroke lost three of its casino licences after allegations about the way it had attempted to win business from rivals. The judge who heard the case in Knightsbridge Crown Court described the way the casinos were run as "disgraceful".

Many predicted Mr Stein would not survive. He did, but he yesterday described the affair as his lowest point.

"That was a very disappointing year," he said. "The problem was the jealousy of other people who took certain steps to make sure we would lose our licences, such as people being planted in our business."

The high point, he said, was the purchase of Hilton International in 1987, which provided the group with one of the world's best-known brand names.

The second reason for Mr

Stein's continued interest is that an end to the recession could lift Ladbroke's results, defying those critics who have complained of drift and lack of focus in recent years.

Mr George, who joined Ladbroke at the age of 19 after a brief stint working for his bookmaker father, agrees that much of the difficult cost-cutting has already been done.

Problems remain, however. The DIY business is experiencing fierce price competition and Mr George concedes that the sector's customer service needs improving. While hotels in the UK are experiencing an upturn, conditions in many countries remain sluggish.

Mr George said yesterday he had not really thought about what his management style was. On reflection, he offered "honest, straightforward, direct and fair". He added that he did not like surprises.

To someone who has spent his entire adult life at Ladbroke, the dominating personality of a still-present Mr Stein cannot be regarded as a surprise.

Vickers back on the right road with profits of £8m

By Kevin Dine and Andrew Bolger

VICKERS, the UK engineering group, ended two years of losses by achieving a pre-tax profit of £8.3m in the first six months following a deficit of £4.1m in the same period last year.

Sir Colin Chandler, chief executive, said that Rolls-Royce Motor Cars, the luxury cars operation, was "on track to break even" in the full year after suffering total losses in the last two years of £110m, including trading losses and restructuring costs.

The interim dividend is raised from 0.5p to 1.25p. Last year's total was cut to only 1.5p from the peak of 9.9p paid in 1990.

Group turnover in the half year to end-June fell by 5.4 per cent to £330.5m (£349.3m).

Vickers was "back on the path towards gradual earnings growth," said Sir Colin. Trading conditions had shown "little sign of improvement" but the group was benefiting from

the "significant" cuts in its cost base and the strengthening of operational management.

Vickers said that sales of Rolls-Royce and Bentley cars were unchanged in the first six months at 693, ending the dramatic decline of the previous two years when sales worldwide plunged to only 1,378 in 1992 from the peak of 3,333 in 1990.

Sir Colin said that in the long term, the luxury cars business would need to find some form of partnership in order to develop a new model generation.

The Cosworth engines subsidiary has suffered from a sharp fall in demand for road engines from Ford, which has fallen to about 3,000 this year from 9,000 two years ago.

The decline has been offset by the growth of the motorsport business, however, with successes in both Formula 1 and the IndyCars series in North America.

Vickers had still not received "a firm response" from the UK

government in its negotiations over a £300m contract either to supply more Challenger 2 tanks or to upgrade the British Army's existing Challenger 1 tanks, said Sir Colin.

COMMENT

Vickers is clearly back on the right road, but the route to recovery still involves considerable uncertainties. March's £80.5m rights issue has cut gearing to 6 per cent, but individual businesses such as marine and aviation face tough markets conditions.

Rolls-Royce Motor Cars should break even, but a welcome increase of sales in markets such as China and the former Soviet Union may prove unreliable. The big Challenger contract could also fall foul of a public expenditure squeeze.

Forecast profits of about £32m put the shares on a prospective multiple of 21. The shares, up 54p to 160p yesterday, have risen strongly since the rights issue, which was priced at 95p, and now look fully valued.

ROLLS-ROYCE HALF YEAR RESULTS 1993

- Pre-tax profit £31m (1992: £20m).
- Rights issue - 1 for 4 at 130p per share to raise £307m.
- Forecast full year dividend 5.00p per share (1992: 5.00p).
- Interim dividend 2.00p per share (1992: 2.55p).
- Resilient order book - £6.4bn.

Group Profit and Loss Account

	Half-year to 30 June 1993 Unaudited £m	Half-year to 30 June 1992 Unaudited £m	Year to 31 December 1992 Audited £m
Turnover	1,752	1,638	3,562
Profit/(loss) before taxation	31	20	(184)
Taxation including overseas tax and ACT	(10)	(14)	(25)
Attributable to minority interests	1	3	7
Profit/(loss) attributable to shareholders of Rolls-Royce plc	22	9	(202)
Dividends	(19)	(25)	(48)
Transferred to/(from) reserves	3	(16)	(250)
Earnings/(loss) per ordinary share Net basis	2.27p	0.93p	(20.91)p

"Though market conditions are still tough we have continued to win new customers and develop our successful product range through continued investment in our expanding technology base."

"The rights issue will strengthen Rolls-Royce's competitive position and enable us to maintain a strong balance sheet whilst continuing with our capital investment programme and the development of the technologies and products which are key to our market position and future growth."

Sir Ralph Robins, Chairman



Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT.

The comparative figures for the year to 31st December, 1992 have been audited from the Group's accounts for that year, which have been delivered to the Registrar of Companies. The auditors have reported on these accounts: their report was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.

Greycoat pref holders oppose Postel plan

By Roland Rudd

A NUMBER of Greycoat preference shareholders yesterday said they would vote against Postel's proposed rescue package after the UK's biggest pension fund said the terms and conditions would not be improved.

In a circular to shareholders, who are being asked to approve the rescue deal, on October 1, Greycoat warns that failure to accept the agreement will probably lead to administration.

The property company also unveiled a pre-tax deficit of £164m (£7.6m) for the year to March 31. This was mainly because of a fall in property valuations and a loss on the sale of properties. Rental income fell from £50m to £45.4m.

Net assets per ordinary share collapsed from 201p to 33p. Shareholders funds declined from £226.5m to £81.8m. The dividend for the year is omitted - last year 2.3p was paid. The company needs the support of 75 per cent of all classes of shareholders.

Some preference holders, who are being asked to waive their dividends and take a 60 per cent cut in nominal value in exchange for a dividend and participation in a rights issue, yesterday said they would vote against the deal unless it was improved.

Mr John Katz, a research consultant asked by more than 25 per cent of the preference shareholders to contact Greycoat, said: "It is difficult to see how any preference shareholder can accept the plan. It will have to be improved if it is

to stand a chance of success." Opponents include Gruss Partners, the US arbitrage house, and two banks. The preference shares yesterday fell 6p to 41p. The ordinary were unchanged at 25p.

Mr Richard Guignard, Greycoat's finance director, said: "Nobody is happy with this deal, which is a good sign. The pain is spread evenly. If all the shareholders understand the consequences of what will happen if the deal is not agreed then they will give it their support."

Holders of the zero-coupon bonds and bank loans, who have temporarily waived loan covenants after the company defaulted, may insist on payment of their bonds and loans if the deal is not agreed. In such an event Greycoat warns: "It is likely that the group

would have to cease trading immediately... preference and ordinary shareholders would receive no payment."

If there was a forced sale the document says Greycoat's properties would be worth only £368.9m.

The document also reveals that Mr Alastair Ross Goobey, chief executive of Postel, is no longer being invited to join the board of a restructured Greycoat. If the invitation had remained he would have been deemed by the Stock Exchange to be a proposed director and therefore responsible for the listing particulars. To avoid this he will wait and see if the restructuring is approved. He is expected to join the board if his rescue plan is accepted.

The restructuring could leave Postel with 87 per cent of the shares.

Cookson 40% rise aided by exchange rate movements

By Paul Taylor

COOKSON GROUP, the specialist industrial materials company, yesterday reported a 40 per cent rise in interim pre-tax profits, helped by exchange rate movements and gains on disposals.

However, the results disappointed the market and Cookson's shares lost 11p to close at 290p. One analyst blamed the share price decline on "unrealistic expectations" based on by management.

Pre-tax profits increased from £33.8m to £47.2m in the six months to June 30 on turnover which grew by nearly 17 per cent to £710.1m (£609.5m).

Earnings increased to 5.8p (4p) out of which the company is paying an unchanged interim dividend of 3p.

Mr Richard Oster, chief executive, said the continuing improvement had been achieved despite difficult market conditions in the UK and continental Europe which showed little sign of improvement.

Exchange rate movements added about £5m to pre-tax profits and £74m to sales compared with the 1992 period. Mr Robert Malpas, chairman, said that at constant exchange rates sales rose by about 4 per cent and pre-tax profits by 22 per cent. At constant exchange rates, and excluding a £5.5m gain on disposals, pre-tax profits were up 8 per cent.

Group operating profits increased by 18 per cent to £50.3m (£42.7m). On a like-for-like basis, adjusted for

exchange rates and a number of other factors, including a higher £2.5m (£1.2m) rationalisation charge, the underlying increase in operating profits was about £4m or about 9 per cent.

The continuing good performance of most of the group's businesses was offset by particular difficulties in the aluminium, lead stabiliser and pigments businesses and in some of the development companies.

Four businesses lost £4.7m (£1.7m) and depressed the overall operating profit return on sales to just over 7 per cent against a target of 10 per cent.

Net interest payments were little changed at £8.6m and should fall in the second half as a result of a marked decline in borrowings which fell to £140m at the end of June against £341m at December 31. Net borrowings represent gearing of 21 per cent, down from 74 per cent at year end.

COMMENT

Despite the market over-reaction to yesterday's figures - which still showed a healthy profit gain once special factors were stripped out - Cookson is making progress towards its strategic goals. However, there is concern that rationalisation costs are still running at about £5m-£6m a year, and are likely to continue, and that the handful of loss-making businesses are dragging margins down. Pre-tax profits of about £100.2m are likely this year, equivalent to earnings per share of 12.5p meaning the shares are trading on a prospective p/e of 13.

Chrysalis and Japanese group in \$17.5m deal

By Catherine Milton

SHARES in Chrysalis Group rose by 37p to 116p after Fujisanki, the Japanese media company, agreed to buy more than a quarter of the UK media company's new record division for \$17.5m (£11.5m), valuing the Echo Label at more than the market value of the whole group.

Pony Canyon, Fujisanki's music division, will pay three instalments over two years for a 25.1 per cent stake. Echo, formally launched in July, was planned following the lapse of a 12-month non-competition clause attached to Chrysalis' sale of its old record label to Thorn EMI.

Mr Chris Wright, chairman, said: "We've now got a very strong partner who is in the business and prepared to spend the necessary resources."

Echo has not yet signed any artists and Chrysalis said yesterday the money raised from

the equity sale would fund the label during its initial development phase.

Chrysalis will subscribe for the remaining shares and the two shareholders will each make available an interest-bearing loan facility of \$2.5m to fund the development of interactive music product.

Chrysalis' shares in Echo will be held by an intermediate holding company, Armouvalle, which will be 75 per cent owned by Chrysalis and 25 per cent owned by Mr Steve Lewis, the managing director and chief executive of Chrysalis' music division.

Correction Dixon Motors

Dixon Motors raised £1.69m in a share placing in May. Yesterday's edition incorrectly reported it was to raise the sum.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current - pending dividend	Total for year	Total last year
American Trust	1.8	Oct 15	1.5	-	4.9
Ashley Group	nil	-	0.375	-	0.75
Bowater	5.31	Nov 9	4.7	-	11.1
British-Bornes	2.667	Oct 22	2.667	-	7.1
Burford	0.697	Oct 5	0.1	-	1.15
Burmest Central	16.51*	Oct 27	8.75	-	25.25
Cookson	31	Nov 19	3	-	8
Greiffon	34	Sept 30	2.75	-	6.5
Greycoat	nil	-	-	-	2.3
Ladbroke	4.92	Jan 4	4.92	-	11.15
PCT S	2.5	Nov 5	2.5	-	7.25
Paton S	1	Oct 8	1	-	2.5
Rathbone Bros	21	Oct 11	1.5	-	8
Reckitt & Colman	6.45	Jan 7	5.95	-	16.2
Rolls-Royce	2	Jan 10	2.55	-	5
Sun Alliance	5.25	Dec 1	5.25	-	14.25
Vickers	1.287	Oct 6	0.5	-	1.5
Yorkshire Food	0.72	Nov 5	-	-	-

Dividends shown pence per share not except where otherwise stated. *On increased capital. \$USM stock. *Enhanced scrip option. British pence.

COMPANY NEWS: UK

Growth encouraging given background of international recession

Reckitt improves 14% to £153m

By Maggie Urry

THE FALL in sterling helped Reckitt & Colman, the household products and toiletries group, report interim pre-tax profits of £153.2m, up 14.2 per cent from the previous year's £134.2m, restated at £132m under FR3, taking account of losses on the sale of its US spice business.

It was pointed out that excluding the exchange rate benefit, sales and operating profits rose about 3 per cent in the half-year to end-June.

Sir Michael Colman, chairman, said the growth was encouraging given the background of international recession.

Mr Vernon Sankey, chief executive, said profit margins had been maintained thanks to increasing investment in key areas and products and to continuing efficiency gains. Cash flow was strong, he added. The group increased its interim dividend from 5.95p to 6.45p because the first half had been "on track with our plans," Mr Sankey said.

Group sales were 9 per cent higher at £1,070m, with turnover of continuing operations up 14 per cent. Operating profits were £172.7m, up 21 per cent, or 14.3 per cent from continuing operations.

Net interest charges rose from £17m to £19.5m because of the translation of foreign cur-



Vernon Sankey: the first half was on track with our plans

rency payments. Net debt fell to £311.9m at the end of the half year, down from £360.9m a year ago and from £314.7m at the year-end. Mr Iain Dobbie, finance director, said debt should fall to about £250m by the end of 1993 barring acquisitions or changes in exchange rates.

UK operating profits of £35m were flat with margins held at

19.6 per cent. Mr Sankey said a poor period for soft drinks offset improved results from household and pharmaceutical products. Continental Europe contributed operating profits 10.8 per cent higher at £50.1m, though in local currencies profits were static. A decline in profits from Spain offset rises elsewhere. The reorganisation of the US business pushed

North American operating profits up 35 per cent to £34.8m and margins up from 10.3 to 11.9 per cent, despite a weaker performance in Canada.

Australasia and Asia raised profits 24 per cent to £27.8m, an underlying increase of over 10 per cent. Africa, mainly South Africa, contributed £13.2m (£12.3m). The Latin American business raised profits 15 per cent to £11.9m, despite difficulties caused by high inflation in Brazil.

Earnings per share were 24.88p, up from 7.93p on an FR3 basis or from 11.85p on an adjusted basis.

COMMENT

Even Reckitt's management recognises the group is going through a boring phase while its 1992 strategy of going for investment generated growth takes time to work through. Underlying growth of 3 per cent is certainly dull. But Reckitt has its quiet merits. Operating margins of 18.2 per cent are high and seem sustainable, it pushes out cash, and the dividend keeps moving up. The shares have been poor performers in the downturn but have had a run up in recent weeks. On forecasts of about £280m pre-tax for the year, against £248.3m or £181.7m under FR3, the prospective p/e is 14.5 which is neither dear, nor likely to provoke outperformance.

Spectacle lens side sold by Pilkington

By Maggie Urry

PILKINGTON, the glass group, has agreed the sale of its Sola spectacle lens business for £315m (£210m). After costs relating to the sale, Pilkington will receive £200m in cash.

Its shares rose 7p to 163p. The purchaser is AEA Investors, a fund set up several years ago by a group of wealthy US individuals to buy companies. Sola, which is based in California, is one of two global companies in the spectacle lens market.

Mr Andrew Robb, Pilkington's finance director, said the sale should cut gearing by about 20 percentage points to 70 per cent. This would be achieved by a combination of a £50m addition to reserves, as the sale is above book value, and the reduction in debt.

Gearing had risen through the £95m purchase of the Heywood Williams glass distribution business in April and the agreed acquisition of a half share in Siv, the Italian glass company, for £45m.

The profit and loss account will include the £50m gain, offset by £18m of goodwill written off when Sola was acquired 15 years ago.

Mr Robb said the effect of the sale on on-going pre-tax profits would be negative since the interest saving on the cash would not match profits from Sola, which were £19.1m at the operating level and £15.7m pre-tax in the year to March 31 on sales of £186m.

However, at the earnings level the sale would make little difference, he said, since Sola's profits were taxable, but the interest saving would be made in the US and UK where Pilkington paid no tax.

Sola was put on the market last December, and Mr Robb said that Goldman Sachs had found a number of buyers. This had delayed the sale as the different potential purchasers had each had to do due diligence investigations.

Mr Robb said the AEA offer was the best. It was still contingent on AEA raising some debt finance for the purchase. Completion is expected by November.

Analysts welcomed the deal, but in the words of one "it is one step down a long road". He said further disposals were essential.

Mr Robb acknowledged the group was looking at making other sales. He would not be specific about which businesses might be sold but said the group would not contemplate sales of its core flat and safety glass activities.

Further disposals would help achieve the target of cutting gearing by another 20 percentage points over the next two years, he added.

Analysts expect the US contact lens business to be sold once its profits have recovered, and believe Pilkington could sell a half share in its Australian subsidiary.

AEA keeps a low profile. In February it sold Speciality Coatings International to Bowater, the packaging and industrial films group, for £205m having bought it from James River in 1991.

Shares shed 21p on warning of weaker demand
Bowater ahead of City forecasts with £103m

By Neil Buckley

BOWATER last night saw its shares close down 21p at 494p after the packaging, printing and coated products group warned that it had seen some softening of demand in the last two months.

The fall came in spite of a 64 per cent jump in pre-tax profits from £62.4m to £102.6m for the six months to June 30. Even stripping out an exceptional gain of £7.9m on business disposals, the profit of £94.7m was 62 per cent ahead and well above analysts' forecasts of £85m to £90m.

But the shares came under heavy pressure, and were down 26p at one point, after Mr Michael Woodhouse, chairman, said demand had softened in some of Bowater's markets since the end of June.

"This calls for short-term caution," he warned. "Confidence remains fragile."

Mr David Lyon, chief executive, said fears about President Clinton's tax plans had caused

some weakening of the US market, and orders had slackened as customers reduced their stocks. In the UK, forward demand had also slackened in spite of last week's report from the Confederation of British Industry that the recovery was gathering pace.

"We are still confident that we are coming out of recession, but it is very fragile," Mr Lyon said. "It is not right for us to be very bland and shelter behind what the CBI said last week."

Analysts said the stock market reaction to Bowater's statement was excessive. One suggested the market was "looking for any excuse to slap companies."

"When Bowater can increase underlying profits, excluding acquisitions and disposals, by 11 per cent even in bad times, that must be very well for the future," he said.

Turnover from continuing operations increased by 48 per cent, from £688m to £1,026m. That included a £119m con-

tribution from new acquisitions, including Speciality Coatings International, acquired in March for £43m (£287m), Tower Packaging, acquired in May for £105m, and the remaining 44 per cent shareholding in MITek, acquired in January for £55m.

While ongoing businesses increased operating profits by 11 per cent, the acquisitions made £13.1m, and there was a further gain of £4m from foreign exchange movements.

Group operating margins increased from 8.7 per cent to 8.8 per cent, with the margin in the new acquisitions a better-than-expected 11 per cent.

The interim dividend is lifted 13 per cent to 5.3p. Earnings increased to 12.3p (11p).

Gearing fell from 56 per cent to 48 per cent. Mr Lyon said the group was unlikely to make any further large-scale acquisitions as it was concentrating on integrating and developing the most recent ones.

See Lx

Refinancing package for Bredero's Centre West project

By David Blackwell

CENTRE WEST, the ambitious Hammersmith office and retail development which pushed Bredero Properties deeply into the red last year, has been refinanced with Bayerische Hypothek- und Wechsel Bank becoming the sole lender.

The project, began late in the construction boom because of long planning delays, will be held by a ring-fenced Bredero subsidiary, Bredero Centre West.

Bredero has been released from all financial liabilities to BCW which will continue to manage completion of Centre West. BCW has "a very limited prospect of residual profit after satisfying all its obligations to Hypo," Bredero said.

Bredero, 49 per cent-owned by Slough Estates, is also prohibited from paying any dividend to ordinary or preference shareholders until the end of September next year.

Last month it announced a pre-tax loss of £106.4m for 1992 and net liabilities of £24.6m.

The group said yesterday that the restructured bank facilities would make "a significant improvement to the financial position". Restating the 1992 balance sheet on a pro forma basis showed the group with net assets of £4.8m.

Bredero would now concentrate on its interests in the Paisley Centre, the Ashley Centre and the Hart Centre, and in the development sites at Centre West phase 2 and the Buchanan Centre, Glasgow.

Hypobank is providing a new £70m loan facility to Centre West. The bank acquired £74.7m of debt from the outgoing syndicate of 12 banks for a consideration of £18.3m. As part of the refinancing, BCW's debt has been written down by £58.4m. The bank said yesterday that it had faith in the project, which was on time for its scheduled completion next spring and was coming in under cost.

Trencherwood moves back into the black after exceptionals

THE EFFECTS of an exceptional credit together with the sale proceeds of a subsidiary enabled USM-quoted Trencherwood, the Newbury-based housebuilder, to move £1.82m back into the black at the pre-tax level for the half year ended April 30.

These credits, totalling £3.45m, related primarily to adjustments resulting from the refinancing of the company approved by shareholders in February.

The pre-tax profit, which compared with a previous deficit of £16.4m, also reflected a £2m reduction in interest costs to £1.22m.

Turnover for the half year totalled £4.8m (£9.63m). However, since January the company had seen a marked improvement in purchaser confidence which in turn had fed

through to increased sales.

The directors were "encouraged" by the way the housing market had recovered in west Berkshire and noted that so far the recovery had been sustained.

They added that Trencherwood remained on course to achieve a return to profitability during 1994.

In April, planning consent was granted for the construction of a food superstore for J Sainsbury on land principally owned and controlled by an associate company. It was pointed out that the sale of the land should make a significant contribution to cash flow this year.

Borrowings at the period end amounted to £25.2m (£48.2m). Undiluted earnings per share emerged at 3.74p against losses of 65.6p.

L&M still in restructuring talks with banks

London & Metropolitan, the debt-laden property company, said yesterday that talks with its bankers regarding a substantial financial restructuring were taking longer than previously anticipated.

The company announced in July that it had begun talks aimed at securing agreement on its second restructuring in three years. These were expected to be finalised by the end of August.

Directors said yesterday that the "talks were proceeding well" and they expected the negotiations to be satisfactorily concluded. L&M will be sending its 1992 financial statements and a circular to shareholders by the end of this month.

The company has been struggling since incurring a £100m loss in 1990, mainly reflecting provisions against falling property values.

The company said in July that the latest talks were necessitated by the increase in negative net worth from £44m to £120m and because bank loans and working capital facilities had expired at the end of June.

Motor World acquires eight more outlets

Motor World Group, the car parts and accessories retailer, has made its first acquisition since coming to the market in February with a £27.7m tag. At the time Mr Darrell Kershaw, managing director, expressed the hope that the company could expand from its existing 180 outlets to 300 within the next two years.

It is buying Mr Motor, an eight branch chain of accessory shops in Derbyshire and Nottinghamshire, for an undisclosed sum.

The company had sales of £1.5m last year.

Venables sells most of his Spurs stake to institutions

By Paul Taylor

MR TERRY Venables, Tottenham Hotspur's ousted chief executive, yesterday gave up his three-month legal battle to wrest control of the company, which controls the north London football club, from Mr Alan Sugar, its chairman.

Mr Venables said he had sold the bulk of his 23 per cent equity stake to a group of institutional investors for 91p a share, or about £3m. He retained only a 2.44 per cent holding.

Tottenham's shares ended the day 9p higher at 104p. Mr Venables paid 75p for about 2.5m shares when he and Mr Sugar, described at the time as a dream ticket, took control in mid-1991,

mostly using borrowed money.

He later converted a loan of £800,000 to the club into about 640,000 shares as part of a £7m rescue rights issue, at 125p a share, which was underwritten by Mr Sugar.

Based on these figures, Mr Venables paid an average price of about 85p. The share sale appears to mark another important victory for Mr Sugar, who holds a 47.8 per cent stake.

Mr Venables will not now be going ahead with his High Court action, due to begin in 10 days time, through which he was seeking to force Mr Sugar to sell his stake to him.

Early in the dispute Mr Sugar offered to buy Mr Venables' stake at 87p a share, an

offer which the former manager and chief executive described at the time as derisory.

However, Mr Venables faced mounting legal costs, including demands for a £300,000 security for future costs. Yesterday Mr Venables said he was dropping his court action because he did not want to risk incurring huge costs if he lost the legal battle.

"I could not face the prospect or the risk of losing up to one million pounds," he said.

However, Mr Venables, who was originally sacked by Mr Sugar and the Tottenham board in mid-May, said yesterday he would still be seeking compensation for unfair dismissal.

Grafton falls to £1.21m

PROFITS of Grafton Group, the Dublin-based builders' merchant and DIY concern, fell from £1.85m to £1.21m (£1.13m) for the half year ended June 30.

Turnover was static at £248.8m but interest charges were reduced from £598,000 to £480,000 because of a lower level of debt and transactions in financial markets, the directors explained.

Although earnings per share fell to 5.6p (8.6p) the interim

dividend is lifted from 2.75p to 3p.

Directors said an improving trend in profitability evident in the second quarter had continued in July and August.

They added that there was "evidence of some recovery" in the Irish and UK housing markets which would benefit the merchandising and manufacturing businesses.

A continuing improvement in trading on the DIY side was also expected.

PUBLIC WORKS LOAN BOARD RATES

Effective September 1

Term	Quoted loans*		
	5p	4p	3p
Over 1 up to 2	5%	5%	5%
Over 2 up to 3	5%	5%	5%
Over 3 up to 4	5%	5%	5%
Over 4 up to 5	5%	5%	5%
Over 5 up to 6	5%	5%	5%
Over 6 up to 7	5%	5%	5%
Over 7 up to 8	5%	5%	5%
Over 8 up to 9	5%	5%	5%
Over 9 up to 10	5%	5%	5%
Over 10 up to 15	5%	5%	5%
Over 15 up to 25	5%	5%	5%
Over 25	5%	5%	5%

*Non-quoted loans are 1 per cent higher and non-quoted loans 2 per cent higher in each case than quoted loans. Interest is payable on principal and interest. If repayment is by half-yearly instalments then quoted half-yearly payments to include principal and interest. 5 With half-yearly payments of interest only.

Yorkshire Food incurs seasonal loss of £376,000 but confident on full year

By David Blackwell

YORKSHIRE FOOD Group, the Bradford-based food processor floated in March, yesterday announced first-half pre-tax losses of £376,000 on sales of £29.5m.

However, Mr Mike Firth, chairman, chief executive and founder, pointed to the highly seasonal nature of the business, which is concentrated in the dried fruit and nut sector. Last year only 35 per cent of sales were made in the first half, with the bulk coming in the run up to Christmas.

"Losses in our business are quite typical in the first half," he said. "We are confident about our position for the full year."

No profits forecast was made at the time of flotation, but Pannure Gordon, which

sponsored the placing, is forecasting full year profits of £5.3m.

The group, which this month completed the acquisition of 80 per cent of the dried fruit business of Del Monte, is also planning to dispose of its UK bakery division, which incurred losses before interest of £24,000 on turnover of £348,000.

The latest deficit followed a loss of £615,000 on sales of £22.5m in the 1992 first half. For the full year pre-tax profits were £2.72m on sales of £63.2m.

Operating profits were £36,000 for the first half. Mr Firth said this figure had been distorted by a first half loss from Treehouse Farms, the US almond producer acquired last year, which achieves 70 per cent of its sales in the second half.

While turnover of the US ingredients operations was up from £2.2m to £8m, the business dipped from operating profits of £17,000 to losses of £38,000.

In the UK, the dried fruit and nuts sector increased operating profits from continuing operations from £423,000 to £505,000.

The small beverages division, which roasts, grinds and distributes coffee, made an operating loss of £7,000, compared with a £54,000 profit, reflecting investment in a new factory, warehouse and computer system.

This increased overheads by about £300,000, but benefits would be reflected in the second half, the group said.

Losses per share were 2.19p. An interim dividend of 0.72p is declared.

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ACCOUNTANCY COLUMN

How companies have painted themselves into a corner

F.N. Arfin looks at the state of annual reports and asks if there is a better way of getting value for money

BETWEEN now and the late spring of 1994, millions of pounds will be spent on books nobody wants to write and hardly anyone really relishes reading. The annual report season is upon us.

As August 31 year-enders put the finishing touches to their documents, December 31 year-enders begin to assign responsibilities and select suppliers for their annual reports. All over the corporate world, managers brace themselves for an unpopular and expensive chore.

Why? The easy answer is that they have to. But no law, regulation or established industry standard requires the elaborate documents that will disappear into institutional libraries and line office rubbish bins for the next several months.

The truth is, having enthusiastically adopted the colourful, American-style annual report in the 1980s, most companies have painted themselves into a corner. While recognising that, as they are now constituted, annual reports have little choice.

When a company has produced glamorous annual reports for years, a U-turn to sobriety is unsettling for shareholders. Particularly as we appear to be emerging from prolonged recession, no company director wants to raise unwarranted questions and concerns.

Very large sums are at stake in the production of annual reports. Companies with large share registers enjoy economies of scale, making an average cost difficult to determine - but between £4 and 25 each, including postage, is not uncommon. Medium sized companies, publishing more

modest reports can easily spend £150,000 in total. A large share register and a management taste for expensive presentation can bring the bill to £250,000 or more. The privatised companies, with their massive share registers, have become adept at reducing unit cost - to as low as 10p a copy - but their staggering postage bills make them substantial spenders.

A few brave companies have opted out of the money trap. When the Companies Act was amended to allow a summary financial report in a short form annual report, British Airways stopped producing a recognisable annual report altogether. Instead, BA publishes an undecorated report and accounts for investment professionals, a user-friendly, semi-annual newspaper for private shareholders, an annual fact book for analysts and professionals and an annual corporate magazine. The company estimates this highly segmented approach saves it about £450,000 a year.

In the US, McDonald's accompanied its most recent - and inexpensively produced - document with a video-tape. The 16-minute programme set out the company's medium-term strategy. Although the concept may seem flashy and expensive to some, the cost of reproducing more than 300,000 short, lightweight tape cassettes probably compares favourably to the cost of publishing a similar number of glossy documents. As a way of exposing resistant professionals to the non-financial communications messages, the McDonald's approach is decidedly clever, who can resist at least a peek?

Admittedly, few companies can follow the examples set by BA and McDonald's. The illustrated and

designed annual report remains the most common approach.

The design and public relations communities experienced some criticism during the recession for establishing this standard. Yet consultants, who sold the idea of reaching audiences with carefully framed messages carried by themed texts and illustrations, were not wholly wrong. The problem is that for most British companies, the audience remains too narrowly defined.

British annual reports address the City and its mix of analysts, fund managers, bankers and journalists: a group resistant if not hostile to annual report embellishments. But anyone who reads a magazine or newspaper, watches a documentary or listens to factual radio programmes is bound to be influenced by subtle communications techniques to a degree.

American companies have long addressed their annual reports to wider audiences. It is common to attribute the style of American annual reports to the higher proportion of private shareholders in the US, where institutions control about 50 per cent of equity as opposed to around 80 per cent in Britain.

However, the better American reports recognise that shareholders, whether private or institutional, are not the only readers. They set out annually to deliver a persuasive case to any intelligent reader. And the financial community, despite its primary focus on the numbers, is interested more often than not.

The review section of the typical British annual report is a sop for the

poor private investors, who more than make up in numbers what they lack in equity. Private investors are regularly under-estimated. They are seen as unsophisticated; happy with photo essays and fat captions.

The illustrations may be beautiful, but texts range from pedestrian to indigestible. The level of useful information is virtually nil. What after all, does such typical annual report-speak as "satisfactory sales", "significant improvement", "substantial reduction", or "poised for recovery" really mean without sufficient context?

One active private investor, with holdings in about 20 companies, says: "The text gives you some idea about what kind of company it is. Not putting an effort in the front says something very negative about the business. If they can't be bothered to be imaginative about the front, one is safe to assume that they have a similar attitude to a lot of their business."

Corporate executives responsible for annual reports need to reconsider their view of private investors. ProShare, the organisation formed to represent the interests of private investors, publishes a bulletin that is full of letters about earnings per share, gearing, market capitalisation and similar topics from so-called unsophisticated private shareholders.

The paradox is that most of the money wasted on annual reports is in addressing private investors in the wrong way. Yet corporations have travelled this route so long that eliminating design, illustration and photography is unthinkable.

If annual reports are going to continue to be costly, perhaps the solution lies in making every pound work

harder. This can only come about if corporate directors stop under-estimating the intelligence of the non-professional reader. To be effective, the quality of information content needs to be improved. As much attention ought to be devoted to text as visual content so that the two work more effectively together.

Lively, information-rich content aimed at a reasonably well educated reader makes an annual report more useful. As long as the numbers add up, the investment community is not likely to be put off. Most analysts and fund managers seem to be fairly neutral about non-financial material. Despite their protestations, they are often subtly influenced by interesting, readable information.

In 1992, the US company HJ Heinz reported on a large acquisition in the food service industry. One objective of the annual report was to direct the attention of the financial community to Heinz' substantial turnover in this sector. The details and ramifications of the acquisition were presented without illustrations. But the front of the book was devoted to a magazine-style essay on the company's behind the scenes activities. Every City analyst shown the report reacted to that essay. "I never realised food service was such a big part of their business," was a typical response. Heinz, in effect, steered the agenda for professional discussion while addressing a more general audience.

Annual reports cost a lot of money - that is a fact. But given thought, they don't have to waste it.

F.N. Arfin is the author of *Annual Reports That Pay Their Way*. Published by Financial Times/Pitman.

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Chartered Accountants

Management Consultancy Division
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Director of Finance and Resources
Salary and Package negotiable c.£35-45k p.a.

We are seeking to appoint a suitably qualified and highly skilled senior executive. If you are a graduate with a professional accountancy qualification and successful organisational experience, display high level interpersonal skills, enjoy team working and are an effective time manager, you will be ideal for this position. You will be responsible for developing and evaluating strategies for resource management (property & premises), information technology and management information systems. We would like to hear from you.

For further details, please contact:
Paula Price, telephone 0908 608998
on 0908 608998
Closing date for applications: 4pm Wednesday, 15 September 1993

Financial Controller

To £50,000 Package

City

Our client fills a critical niche role in the insurance market. Its expertise is in strong demand. An experienced controller is needed to head the finance function of its fastest growing division.

THE COMPANY

- Highly successful, long established firm providing insurance management services to marine related industries.
- Serving clients in UK, USA and offshore. Rapidly growing into new markets and products.
- Immense business stability. Partnership culture. Highly commercial. Emphasis on service quality.

THE POSITION

- Improve and maintain financial and budgetary controls and systems of division with revenues of £50m. Lead small qualified team.
- Key role in management reporting. Extensive top level external contact. Attractive travel.

- Broadly based, hands-on position, embracing taxation, banking arrangements, credit control and systems development.

QUALIFICATIONS

- Chartered Accountant with several years senior financial management experience in a service business. Age 30's.
- Strong international exposure. Personal presence and maturity. Excellent written communication and public speaking skills.
- Combine strong academic pedigree and clubbable personality with hands-on, hard working approach and ability to get things done.

Please send full cv, stating salary, Ref M3427
NBS, 54 Jermyn Street, London, SW1Y 6LX

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DIVISIONAL CONTROLLER

Kwik-Fit

Harlow

c.£35k + Bens

Kwik-Fit is the European market leader for automotive parts repair and replacement, operating through more than 600 specialist centres in the UK, Eire, Holland and Belgium. As part of the company's ongoing strategic development, a decentralised divisional structure is currently being established, requiring the appointment of a Divisional Controller in Harlow.

Reporting to the Divisional Managing Director, you will be part of a compact management team, with overall responsibility for all aspects of divisional administration and finance. This will include financial and management reporting, the preparation and control of budgets, payroll, stock and cost control, as well as the provision of financial guidance and commercial support across a variety of areas.

Ideally aged 28-35, you will be qualified, self-motivated and commercially aware, possessing financial management experience within a computerised, results-orientated, preferably multi-site environment. Highly developed interpersonal and analytical skills, versatility and a hands-on approach to problem solving, will also enhance your impact in the role.

Applications in strictest confidence, providing salary details, to: Charles McGarry, Director, Fletcher Jones Ltd, 9 South Charlotte Street, Edinburgh EH2 4AS. Tel. No. (031) 226 5709. Fax No. (031) 220 1940

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benefits
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agency

Senior Finance Manager

Accounting for change

c. £40,000

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As Finance Manager, you will be responsible for the design, operation and development of the financial and management information systems, which will contribute to the development of a business culture both at management team level and throughout the organisation. You will have overall responsibility for ensuring all financial policies, procedures, systems and skills both meet government accounting policies and adopt best commercial practice.

You should possess broad based financial and business management skills, with particular emphasis on working within an environment of change, and an accountancy qualification. This is a role demanding breadth, strong interpersonal and communication skills and the ability to be an effective part of the division's senior management team.

The appointment will initially be for 3 years, with a salary in the region of £40,000. You would ideally be based at either Leeds or Blackpool, although an alternative location could be considered.

For further information regarding the organisation and this position, please call Dr Mansel Aylward on 071-962 8082.

To apply, please send a detailed cv, by 17 September 1993, to: Clair Barker, Benefits Agency Medical Services, Room 4/E/22, Quarry House, Quarry Hill, Leeds LS2 7UA. Applicants selected for interview should be available for interview during week commencing 27 September 1993.

The Benefits Agency, part of the Department of Social Security, aims to be an Equal Opportunities Employer. We intend to make sure that there is equality of opportunity and fair treatment for all, regardless of sex, marital status, age, race, colour, ethnic or national origin, disability, sexual orientation (lesbians and gay men), responsibility for dependants, religious or political beliefs.



CORPORATE FINANCIAL CONTROLLER

International Operations

West Central Scotland £neg + benefits + car

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Headquartered between Glasgow and Stirling we currently have manufacturing plants in Scotland, America, Canada, Australia, and Marketing and Sales offices in Japan and Hong Kong.

Strong financial management is obviously important to our future development and we are now seeking an ambitious Corporate Financial Controller who, reporting to our International Finance Director, will play an important role in a small international management support team. You will be responsible for a range of financial functions, including financial reporting and forecasting of worldwide results, integrating our international accounting systems and effective tax planning.

A qualified accountant, you will probably be aged 35+ to have the experience required. You will have a record of success in a similar senior level financial role with a forward looking plc. This is an exciting, challenging opportunity to become involved in the development and growth of an innovative international company.

Salary is pitched at a level attractive to high calibre individuals and benefits are those expected from a progressive organisation, including quality company car and relocation assistance where appropriate.

Please send your full CV to: John Porte, Director of Human Resources, Devro International plc, Moodiesburn, Chryston G69 0JE.



FINANCE DIRECTOR

CAN YOU ORCHESTRATE THE FINANCIAL STRATEGY NECESSARY TO MEET OUR OBJECTIVES?

SALARY UP TO £35K PLUS CAR

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We are the leading locally-based Housing Association in East and West Sussex providing housing and care for people in need. Our current building programme is £22 million and our aim is to increase our rate of development in the future.

The Finance Director will be an important member of the Senior Management Team, responsible for the planning and implementation of the Association's financial strategy to ensure that we maximise our ability to develop and provide the highest quality social housing service for both existing and prospective tenants.

Key areas of the job will include the effective management of our debts and assets, budgetary preparation and monitoring, high-level advice on funding for new schemes, the achievement of our financial targets and management of a small team.

Candidates should be qualified accountants with several years' experience at senior level and the vision and enthusiasm to help CDHA achieve its objectives.

A relocation package will be available. For further information or a job package, please telephone Mrs Toni Harrington.

Please apply by letter enclosing a full C.V.: Mrs Gwyneth Allen, Chief Executive, Chichester Diocesan Housing Association Limited, Rochester House, Rochester Gardens, Hove, East Sussex BN3 3BD. Telephone: 0273 341322

The closing date for applications is 17 September 1993 and the first interviews will be held on 30 September 1993.

We are an equal opportunities employer and operate a no-smoking policy.

Chichester Diocesan Housing Association Limited

C/D
H/A

FINANCIAL DIRECTOR

Cheshire based

circa £30k Negotiable

We are a dynamic recruitment group with a formidable growth rate since inception in 1989. Sales in the current year will exceed £35 million.

Operating from 22 UK branches and locations in Holland and Belgium, the Group currently provides over 2500 temporary staff in the technical, professional, commercial, industrial and trades disciplines. Executive search and permanent recruitment is also a significant part of our service portfolio.



STM RECRUITMENT GROUP

Our 5 year plan leading to flotation includes a strategy of growth by acquisition. £100m+ Sales and a Network of 50 UK branches providing over 7000 staff daily.

You will be an ambitious qualified accountant, commercially aware and able to demonstrate financial management skills.

Your role will be crucial to the strategic international development of the Group and will involve acquisitions, tax planning, development of reporting systems, maximising returns and control of working capital.

If you feel you possess the knowledge and drive to contribute to our future success send a full CV to: Kate Barrett, Personnel Manager, STM Recruitment Group, Roberts House, Manchester Road, Altrincham WA14 4LP.

Plant Controller

Herts In excess of £30,000 + Car Allowance + Bens

Our client is a market leader in the packaging industry with a turnover in excess of £200m. The company supplies most of the major names in the food and drink industries, as well as engineering, electrical, industrial and other manufacturing sectors. The company is committed to a decentralised management structure. It comprises a number of manufacturing plants, each enjoying considerable financial and commercial autonomy combined with the constructive support of a corporate office team.

They currently seek a Plant Controller to join the management team of their £12m turnover Hertfordshire plant which has been developed as a state-of-the-art corrugated board producer. The Controller will assume total control of the local finance function, including the management of six members of staff. Reporting directly to the Plant Director and functionally to the Group Finance Director, responsibilities will include:

- * Provision of pertinent, timely and constructive management and statutory information on a monthly, quarterly and annual basis.

- * Planning, forecasting, budgeting and cash flow management.
- * Systems development and enhancement.
- * Active involvement and contribution to the management and profitability of the business with specific emphasis on stock control and cost issues.

Candidates should be qualified accountants with at least two years post qualification experience gained within a manufacturing or process industry and possess demonstrable costing and systems knowledge. Common sense, commercial awareness and the ability to manage people are prerequisites of the role. Flexibility and ambition are also key factors as international career opportunities, both in finance and general management, are assured within the Group.

Interested candidates should send their curriculum vitae to **David Head at Michael Page Finance**, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA. Please quote reference 161638.



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As a consultant on the team or as the manager leading it, you will work in partnership with clients to add value to their bottom-line results, and help them to achieve a step improvement in their financial performance and competitiveness. It's a role which involves more than reporting and making recommendations. You will help implement real change - working in joint teams with people at all levels to deliver solutions which enable our clients to achieve and sustain success.

As well as a good degree and, ideally, an MBA, accountancy or other relevant professional qualification, you should have at least five years' experience in marketing, financial analysis or business process re-engineering. Because our

consultants also work in integrated, multi-functional teams, you will need a general awareness of all these disciplines.

As well as sharing our commitment to excellence, your achievements should demonstrate an impressive intellect, innovative thinking and strong analytical and communication skills. For the role of manager, you will also need both consultancy and line management experience, and a proven record as a successful project manager.

The salary and benefits package will be commensurate with a firm of the standing of Coopers & Lybrand and is designed to reflect an individual's experience and background.

If you feel you can add to the strength of our team, please write with full career details to Jean Richardson, Coopers & Lybrand, Plumtree Court, London EC4A 4HT, quoting reference FT.046 on both envelope and letter.

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This is a new position in which the jobholder will perform a key function in the management team. It is an excellent opportunity to take broadly based responsibilities and contribute to the successful development and expansion of the company.

Working closely with Senior Site Management, the Financial Director will be responsible for all aspects of

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The role requires a qualified accountant with several years experience in a senior financial role, gained in a high volume manufacturing business. In addition, the person sought will offer detailed knowledge of financial management at operational level.

To apply please write enclosing your CV and quoting reference JW/FT307, to Accountancy Personnel, 9 East Parade, Leeds, LS1 2AL. Telephone 0532 468363.

Hays

INTERNATIONAL OIL, GAS AND COMMUNICATIONS

FINANCE DIRECTOR

**c. £70,000, car, bonus, options
Edinburgh**

Pittencreeff plc has grown dramatically since it was rescued in 1988 by the current CEO. The company has two main businesses: oil and gas production and mobile communications.

The company acquires oil and gas assets principally in the USA and now also intends to invest in oil and gas properties in the UK and Canada. By stripping out duplicated overheads and implementing more efficient production and/or development practices, it consistently achieves a speedy payback on investment plus a continuing profit stream. Pittencreeff is not an explorer.

Since 1990 it has also built up Pittencreeff Communications Inc ("PCI") which has acquired 22 SMR (specialised mobile radio) companies and put them together in a network now stretching across Texas and New Mexico and into neighbouring States of the USA. This gives customers fixed price access to a telephone network and long distance calls at local (free) rates. The service is similar to cellular. PCI was recently floated on the US stock market and Pittencreeff retained 54% of the company, currently valued around \$200 m.

The group, which intends to increase its focus on acquisition and development of oil and gas assets, has a turnover of £30 m, is cash rich and despite a recent profits warning caused by

systems not keeping up with the speed of growth, analysts expect profits of around £6 m in 1993. Total staff comprise 15 in oil and gas, 300 in communications and 5 at the head office in Edinburgh.

The previous Group Finance Director has moved over to PCI and to replace him we seek a mature, commercial and strong individual to be responsible for the complete financial control of the business including advising on the optimum structure for financial and taxation purposes, ensuring reporting systems are robust, accurate and timely, acquisitions are quickly rationalised into the group structure at minimum cost and assisting the CEO with acquisition search and investigations.

Candidates will be qualified accountants with at least 10 years' post-qualifying experience in commerce or industry and be able to demonstrate success in a "No 1" finance role ideally in a small team. Whilst oil, gas or communications experience is not required, some acquisition, public company and cross border tax experience is necessary.

To apply please send written details including salary requirements to Douglas Kinnaird, CA, PA Consulting Group, Number Two Blythswood Square, Glasgow G2 4AD, quoting ref: 598/FT. Relocation assistance to Edinburgh with its high quality of life and children's education facilities is available if appropriate.

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Landmark

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RESPONSIBILITIES:

- ◆ Implement new management information systems
- ◆ Manage P&L reporting and analysis
- ◆ Develop treasury function
- ◆ Manage overseas subsidiaries accounting and reporting
- ◆ Supervise staff on day to day accounting and reporting
- ◆ Preparation of Monthly Financial Reports

QUALIFICATIONS:

- ◆ Chartered Accountant or similar
- ◆ 4/5 years experience in business preferably in a technology environment
- ◆ Knowledge of US GAAP and foreign exchange reporting
- ◆ Excellent working knowledge of PCs, Excel and Word
- ◆ Experienced in implementing new systems

Please send your CV stating current salary and benefits to:

Human Resources Department, Landmark EAME Ltd.,
Benchmark House, 203 Brooklands Road, Weybridge, Surrey KT13 ORH

UK Finance Director

London

c£50,000 + Car

This substantial British financial services company is part of a major multinational trading group. It has achieved a strong record of profitability and growth over the last five years and is a recognised market leader within the UK and internationally.

Following the promotion of the current jobholder, our client is now seeking a new Finance Director for the UK Division (turnover £50m), and its network of branch offices throughout the country. This is a highly commercial role providing financial support to the UK Managing Director, managing four Regional Controllers and working closely with operational management across the business.

We are looking for a top-flight individual probably in the 35-40 age range. Candidates must be qualified accountants (ACA or CIMA), with a good degree. They should be able to demonstrate a successful track record in financial management and control within a highly computerised, multi-branch organisation. Specific financial services experience is less important than well-developed commercial acumen, sound technical skills and credibility at the highest level.

To apply, please write, in confidence, with full CV and quoting reference 54908, to Paul Carvosso, MSL Group Limited, 32 Aybrook Street, London W1M 3JL.

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HEAD OF FINANCE

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This is a new role which has been created as a result of a recent review of the resources of the practice. The Head of Finance will report to the Finance Partner, will be a member of the Management Committee and will have responsibility for accounting and finance, including the management of the Finance Department. The individual will also be expected to play an active part in the day-to-day running of the firm, help provide strategic input and participate in the development of its IT strategy.

You should be a qualified chartered accountant who can demonstrate an extremely successful track record in a service-oriented organisation. As well as a keen commercial sense, you must be able to show evidence of successfully managing change and projects. It is likely that you will be in your mid or late thirties.

You must be able to earn and command the respect of the partners and staff. Professional practice experience would be an advantage. If you consider that you could contribute to the firm's development in this highly demanding role, please send a career résumé, together with current salary package, quoting reference 3321, to Bruce McKay, Touche Ross Executive Selection, at the address below.

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The names given below are successful candidates in CIMA's Stage 4 (final) examination taken in May 1993. In the United Kingdom the pass rate was 45.8%. The pass rate for home and overseas students combined was 36.9%. The locations given are those of the exam centre where the candidates sat.

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Please tick appropriate box:
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Please return to Richard Pooley or John Asworthy at Badenoch & Clark, FREEPOST (Ref RP) London, EC4A 4RN.
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We are therefore seeking a "French Graduate" who has successfully completed an advanced credit training programme, with 3-5 years credit analysis experience within a bank or rating agency. Knowledge of capital markets, treasury and derivative products would be helpful.

The position in London will work closely with colleagues in New York and Tokyo. Applicants will be graduates, aged 26-32 years with strong verbal and written communication skills. PC literacy should include word processing and spreadsheet competency. In addition to French, fluent written and spoken English is essential. CV's should be presented in English.

Total remuneration will be highly competitive and commensurate with experience. Interviews will be held in both Paris and London. If you have most of the above credentials, are mature, highly motivated and you are an excellent team player,

Please contact Ron Bradley in strict confidence on 071-623 1266.

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Central London

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This position offers a competitive salary and plenty of opportunity to use your initiative and consolidate your experience in a world-class company.

Please apply in writing to Miss Amanda Anderson, Personnel Officer, Head Office Personnel, ICI Group Headquarters, 9 Millbank, London SW1P 3JF by 15 September 1993.

ICI is an equal opportunities employer.

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We are currently seeking a young graduate to join our small but progressive broking firm as a trainee broker. The suitable applicant should ideally be under 25 years of age and smart in appearance. Other qualities to include an ability to communicate, quick mind, personable character and a willingness to work hard. A second European language would be beneficial and the ability to work in a team is essential. Training will be given; the remuneration will depend on the qualifications of the successful candidate.

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PO Box 31652, Financial Times,
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Our Treasury Department currently manages in excess of £750 million liquid assets, £1.1 billion wholesale funds and over £500 million hedging instruments and is working towards the "full approach" to balance sheet mismatch and hedging - enabling us to make use of foreign currency denominated liquid assets.

We are looking for an established sterling and foreign currency dealer whose experience in the above areas will enhance the Society's dealing capabilities and bring specialist expertise in currency hedging - probably gained with a bank, corporate or "full approach" building society treasury.

This is an excellent opportunity to join a progressive and successful organisation offering wider career prospects and financial services sector employment benefits.

Write for an application form, to Mr N M York, Personnel Operations Manager, Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ. Requests for application forms should be received no later than 13th September 1993.

The Yorkshire Building Society is an equal opportunities employer.

Manager - Financial Planning & Analysis

c.£50,000 Package plus Benefits

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The successful candidate is likely to be a qualified accountant who

has had some exposure to both US and UK GAAP, with excellent analytical skills and experience in using PC based analytical models.

He or she will demonstrate sound judgement and communication and leadership skills, required both in managing the FP & A team and working with other functions.

There is a strong emphasis on personal development and career opportunities are excellent. Total compensation package will include an excellent salary, performance bonus, car and finance sector benefits. Reply, with detailed CV, to Stephen Hales, Group Resources Director, Financial Insurance Group Limited, Financial House, Eaton Road, Enfield, Middlesex EN1 1YR.



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TRAINEE BROKERS

Godsell Astley & Pearce Ltd, leading moneybrokers in the London market, are currently looking to recruit trainees for the Foreign Exchange and Eurocurrency divisions.

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Please send a CV and covering letter outlining your experience and suitability for such a role.

Please reply to:

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COMMODITIES AND AGRICULTURE

Computers spark price plunge for gold and silver

By Kenneth Gooding, Mining Correspondent

GOLD AND silver prices plunged in late trading yesterday as the computers programmed by some New York investment funds sent out "sell" signals. Silver lead the way and lost nearly 10 per cent of its value in a few minutes of hectic activity and touched \$4.35 a troy ounce before closing in London at \$4.49, down 32 cents.

This provided a catalyst for the funds to start selling gold - many of them link their computerised precious metals investment programmes. The gold price at the London bullion market touched \$361.50 an ounce at one point before recovering to close at \$364.50, down \$5.25.

Only one month ago, on August 2, gold reached \$406.70 an ounce, its highest level since the outbreak of the Gulf war in January, 1991. "The froth in the market is being blown away," said Mr Andy Smith, analyst with the Union Bank of Switzerland. He pointed out that some New York investors were squaring their market posi-

tions ahead of the long Labour Day weekend (the Labour Day holiday in the US is on September 6).

Physical demand for gold in the Far East and the Middle East remained weak and the market might even be over-supplied at present. The best hope for the gold bulls was that there would be a seasonal pick-up in demand for physical gold so that the market would be stabilised.

Mr Smith was sticking to his forecast, first made in July, that gold would average \$350 an ounce in the last three months of 1993.

Mr James Leahy, analyst at Credit Lyonnais, Laing, suggested a range of between \$375 and \$390 an ounce was more likely in the last part of this year, with the price perhaps ending 1993 at about \$400. He pointed out that yesterday's sell-off took place in a seasonally very quiet market when "a little selling goes a long way".

However, if gold's closing price on the New York Commodity Exchange today was below \$365, "it would be worrying for gold bulls." If gold went above that level, "all is not lost".

Weather worries keep soya traders on their toes

By Laurie Morse in Chicago

WITH ONLY a few weeks to go until the start of the US soybean harvest, Chicago commodity futures traders are keeping open telephone lines to private weather forecasters. The weather men have the rap attention of the market at the moment because late-planted crops and surplus moisture have delayed soybean plant development. The lateness of the crop makes it vulnerable to early frost, while prolonged periods of fine weather will increase yields and produce a larger harvest.

A "weather market" is characteristically volatile, and Chicago soybean prices this week have certainly been that.

Talk of an early frost abated Monday when the National Weather Service forecasted normal temperatures in the maize and soybean belt for the coming week. The long-term 30-day forecast predicted normal to below normal temperatures, but contained no indication of a late September frost.

Futures prices for soybeans to be delivered in November, just after harvest, dropped by more than 10 cents a bushel on Tuesday at the Chicago Board of Trade in response to the forecast and by a similar amount on Wednesday, ending at \$5.54 a bushel.

Private forecasters, traders said, had confirmed the government's weather predictions.

Yesterday morning, however, soybean futures steadied as managed futures funds bought back short positions taken out earlier in the week and the November price bounced to \$5.63 a bushel. In late trading the price had settled back to \$5.57 a bushel, up 2% cents on the day, but that was still well below the summer high of \$7.57 a bushel.

Mr Gerry Gidel, crop analyst with Dean Witter Reynolds in Chicago, says that the only predictable feature in the soybean market until harvest time will be uncertainty.

"People are still trying to determine yields. We get weekly crop progress numbers, and we can tell the crop is maturing." However, he said, it was difficult to determine how productive the plants were. The US Department of Agriculture will issue its next estimate of crop size next Thursday.

India tries to smooth out silk trade problems

Chinese imports are being blamed for depressed domestic prices, writes Kunal Bose

THE INDIAN silk trade, which has a powerful lobby in New Delhi, wants the government to impose further restrictions on imports of Chinese silk, which it blames for the depressed prices of indigenous silk that are damaging the livelihoods of nearly 10 growers.

Exporters of silk goods, who mostly use the Chinese silk yarn because of its superior quality, have warned, however, that exports will fall sharply if any more restrictions are placed on the import of raw silk.

At present only the exporters are allowed to import silk yarn, on condition that they add 150 per cent to its value in producing goods for export. Last year, India exported silk goods worth \$7.34bn (\$15m).

To placate the growers the federal government has reintroduced the pre-inspection of export shipments of silk goods to ensure that the imported yarn has been properly used. There may have been some diversion of imported silk into the market during the one year period when there was no pre-inspection, admits Mr S Shah, spokesman for the Silk Association of India. "But this certainly did not call for checking silk export cargoes."

"The system breeds corruption. The inspectors' prime concern is to collect money from the exporters (rather) than to ensure that the goods are in order."

India is the second largest producer of silk after China. But the domestic demand, particularly in the form of women's saris, is so strong that only about 15 per cent of the indigenous silk production of about 13,000 tonnes is available for weaving silk fabrics and carpets for export. Moreover, as Mr P.S.S. Thomas, secretary of the Central Silk Board, admits, Indian silk yarn is not strong enough for use in high speed weaving machines.

India must depend on imported yarn for the production of high-value, flawless silk for the export market. Nevertheless, there is an overseas market for silk fabrics produced by hand loom units using Indian raw material.

Japan's silk industry organisation plans to cut production and build up stocks to help support prices, reports Reuters from Tokyo.

Nihon Kikai Seishi Kougyou Kumiai, the Japan silk manufacturers' co-operative, decided at a directors' meeting to cut more than five working days a month for at least three months. This will cut silk output by a total of 4,000 bales (60kg each).

It also decided to build up 1,000 bales of stocks by the end of September and to set up a committee to consider scrapping some production facilities.

The silk manufacturers will ask the agricultural ministry to continue selling imported silk from its stocks while buying the same amount of domestic raw silk in return. The operation supports raw silk futures prices as imported silk is not deliverable on futures exchanges here.

Spot silk prices have dropped below the government-set standard silk price of ¥10,712 (588) a kilogram since last month. When prices fall below the standard price, the semi-official Silk Agency may buy silk to stabilise prices.

The spot silk price in Yokohama stood at ¥8,310 a kilogram on Wednesday, against ¥8,500 on Tuesday.

Mr Thomas says the farmers will have to seek better returns by way of productivity improvement. India produces less than 40kg of raw silk per hectare (2.47 acres), compared with 80kg in China and 120kg in Japan.

The twin problems of low productivity and inferior quality are being tackled through the World Bank and Swiss Development Corporation funded Rs5.5bn National Sericulture Project. The seven year project, now in its fifth year, is bringing about an improvement in silk growing practices by making available to the farmers high-yielding mulberry saplings (on which silk worms feed), quality silk worm eggs and scientific methods of silk worm rearing.

The project is designed to strengthen the sericulture infrastructure in the traditional silk growing states of Karnataka, Andhra Pradesh, Tamil Nadu, West Bengal and Jammu & Kashmir and promote silk growing in 12 other states.

Mr Thomas says that it has already resulted in an additional 64,000 hectares of land being brought under mulberry cultivation, beating the target of 56,000 hectares. The project will raise silk production by 6,000 tonnes and create employment for another 1m people.

Under another sericulture programme funded by Japan, attempts are being made to develop bionoline, a superior quality of silk worm, for the Indian tropical climate. And a breakthrough is confidently expected.

India is also hopeful of getting technical know-how from China in the near future. Mr Thomas thinks it will facilitate the production of "a good quality of high quality silk in India if private corporations are involved in sericulture". The corporations can get into the business either by acquiring land or by entering into some kind of arrangement with the farmers. Among the more important Indian business houses which are looking into sericulture seriously are the Kirloskars, the Thapars, RPF Enterprises and SPIC. Mr Thomas says.

Malaysian tin industry wilts as market slumps

By Kieran Cooke in Kuala Lumpur

DIRE PREDICTIONS are being made about the future of Malaysia's tin industry following this week's price plunge to fresh lows this week on the Kuala Lumpur Tin Market. Tin was trading at around M\$11.60 (\$4.50) a kilogram mark on the KLTM - the first time prices had dropped below the M\$12 level.

"Over the last two years a record number of Malaysia's tin mines have closed down," said a tin trader. "With these kind of prices it can't be long before the whole industry collapses."

Malaysia was once the world's biggest tin producer. But production of tin in concentrates fell to 14,399 tonnes last year compared with 30,710 in 1991. Traders are predicting that Malaysia's output will fall below 10,000 tonnes this year.

The Association of Tin Producing Countries is due to meet in Kuala Lumpur at the end of October to discuss ways to reduce global tin stockpiles and improve prices. "The market is really going crazy and

this spells trouble for the industry," said Mr Redwan Sumun, the ATPC's executive secretary.

The association groups Malaysia, Australia, Bolivia, Indonesia, Thailand, Nigeria and Zaire, which together account for about 80 per cent of world tin production. Malaysia's tin producers want the ATPC to abandon its export quota system, saying it has done nothing to improve prices.

Non-ATPC countries such as China and Brazil are blamed for increasing their tin exports, frustrating attempts by the association to reduce a global tin stockpile now estimated at 40,000 tonnes. Traders say recent large sales of tin by the US Defence Logistics Agency have also led to a market glut and low prices.

Malaysia, a relatively high cost producer, has been particularly badly hit by the prevailing low market prices. Foreign buyers are also reported to be staying away from the Kuala Lumpur market because of the continued strength of the Malaysian dollar against the US currency.

Pakistan and India join forces to combat looming locust threat

By Farhan Bokhari in Islamabad

A TEAM of senior Pakistani agricultural officials, accompanied by UN specialists, visited the city of Bahawalpur in Southern Punjab this week, amid growing concerns over a potential locust attack.

The large cotton crop is considered to be faced with the greatest risk, followed by sugarcane, senior officials say.

"The sense of urgency has pushed both India and Pakistan - South Asia's two main rivals - to co-operate in launching a large-scale locust emergency operation on both sides of their borders in Punjab and along the Pakistani province of Sindh."

Plant protection officials from the two sides are reported to have maintained daily radio contact during the past week.

Mr Zahid Saeed, Pakistan's acting foreign secretary, said earlier this week in response to questions on Indo-Pakistani co-operation: "This is a common problem, we'll have to face it together close to border areas."

"Locusts don't need passports or visas to travel," he said. "They can ruin crops on either side of the border," added a senior Western diplomat in Islamabad.

Some senior officials also said that military commanders from both countries have also

been in touch, to avoid fire on spraying aircrafts and helicopters.

"We have to avoid any accidents because as you know, there are troops on both sides," said one official.

Some officials say that they are pressed for time and money. The next week is considered to be the crucial period for stepping up spraying operations, before the locusts start flying to areas with large crop lands.

The spraying operations on the Pakistani side are estimated to cost \$1.3m. So far, only \$300,000 dollars has been committed in aid by bilateral donors and the UN Food and Agriculture Organisation.

Australian wheat crop forecast raised

THE AUSTRALIAN Wheat Forecasters' consultancy has raised its forecast for the Australian wheat crop to 15m tonnes for the year ending March 31, 1994, up from last month's prediction of 14.9m tonnes but still below last

year's actual crop of 15.33m tonnes.

AWF put the area sown to wheat at 9.75m hectares in 1993/94 compared with last month's forecast of 9.9m and 9.07m last year.

It said the development of the Western Australian wheat

crop had been the most significant event over the past month, with regular rain and early sowing suggesting that the state should produce wheat of higher than average protein levels.

Rubber producers may pull out of price pact

THE WORLD'S biggest rubber producing nations began a meeting here yesterday to discuss the possibility of pulling out of the International Natural Rubber Agreement in protest at the failure of consuming country members to renegotiate the pact, Reuters reports from Bangkok.

Members of the Association of Natural Rubber Producing Countries, said their threat to quit the agreement stemmed from delay by consumers to agree on amending its terms for shoring up chronically weak rubber prices.

The six-member ANRPC, led by Malaysia, Indonesia and Thailand, has tried for two years to negotiate a new pact to replace the current six-year agreement, which is due to lapse in December.

Producers said earlier that they would block an automatic two-year extension of the pact at the next annual meeting of the International Natural Rubber Organisation in November.

Producers had offered to accept a price cut at the last ANRPC meeting in Kuala Lumpur in May on condition that consumers committed themselves to working on a new agreement.

ducers in ANRPC and more than 20 consumers led by the US, the European Community and Japan.

Leading ANRPC members have said they may launch their own price support efforts if the current United Nations-sponsored pact is not improved in favour of producers.

Rubber prices have declined to 30-year lows in real terms. Producers, led by Malaysia, Indonesia and Thailand, have been in deadlock with consumers since March on whether to cut their reference price, currently 207.2 Malaysian/Singapore cents a kilogram, the median point of a range outside which market intervention is triggered.

The price must be cut by 5 per cent if the average daily lino market indicator price is below the group's "may-buy" level of 175 cents in the six months before the review.

A Thai producer has offered to accept a price cut at the last ANRPC meeting in Kuala Lumpur in May on condition that consumers committed themselves to working on a new agreement.

WORLD COMMODITIES PRICES

MARKET REPORT

The London Commodity Exchange COCOA market was stuck in a weaker trend throughout the afternoon, with the December position closing 22 above the day's low at £220. A 29 down on the day. Dealers said prices were being allowed to slip back in the absence of manufacturer buying. At the London Metal Exchange COPPER prices built on early gains and the three months position closed \$17.50 higher at \$1,953 a tonne, despite a slight narrowing in the cash premium. Dealers said heavy buying from quarters influential in supporting the market recently ensured that there was

to be no price collapse. Early firmness in the NICKEL market was not maintained, with European merchant selling and profit-taking eating into gains. The three months delivery price, which had touched \$4,700, closed at \$4,595.50 a tonne, down \$32. Further losses were registered in after hours trading. TIN prices mounted a small rally from fresh 20-year lows, but remained depressed by poor fundamentals. The three months position closed unchanged at \$4,677.50 a tonne. ALUMINIUM was steadier, regaining most of the week's earlier losses.

Compiled from Reuters

London Markets

SPOT MARKETS	
Cocoa (per barrel FOB/Coc)	+ or -
Dec	214.50-215.00
Jan	215.50-216.00
Mar	216.50-217.00
May	217.50-218.00
Jul	218.50-219.00
Oct	219.50-220.00
Dec	220.50-221.00
Jan	221.50-222.00
Mar	222.50-223.00
May	223.50-224.00
Jul	224.50-225.00
Oct	225.50-226.00
Dec	226.50-227.00
Jan	227.50-228.00
Mar	228.50-229.00
May	229.50-230.00
Jul	230.50-231.00
Oct	231.50-232.00
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Oct	399.50-

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Inc.	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	581	580	579	578	577	576	575	
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	Change	Yield	Dividend
Scottish Widows	100.00	+0.50	4.5%	4.50
Scottish Widows	100.00	+0.50	4.5%	4.50
Scottish Widows	100.00	+0.50	4.5%	4.50
Scottish Widows	100.00	+0.50	4.5%	4.50
Scottish Widows	100.00	+0.50	4.5%	4.50

MERCHANT BANKS

Bank Name	Price	Change	Yield	Dividend
Barclays Bank	100.00	+0.50	4.5%	4.50
Barclays Bank	100.00	+0.50	4.5%	4.50
Barclays Bank	100.00	+0.50	4.5%	4.50
Barclays Bank	100.00	+0.50	4.5%	4.50
Barclays Bank	100.00	+0.50	4.5%	4.50

OIL & GAS - Cont.

Company Name	Price	Change	Yield	Dividend
BP	100.00	+0.50	4.5%	4.50
BP	100.00	+0.50	4.5%	4.50
BP	100.00	+0.50	4.5%	4.50
BP	100.00	+0.50	4.5%	4.50
BP	100.00	+0.50	4.5%	4.50

PACKAGING, PAPER & PRINTING - Cont.

Company Name	Price	Change	Yield	Dividend
Wiggins Teape	100.00	+0.50	4.5%	4.50
Wiggins Teape	100.00	+0.50	4.5%	4.50
Wiggins Teape	100.00	+0.50	4.5%	4.50
Wiggins Teape	100.00	+0.50	4.5%	4.50
Wiggins Teape	100.00	+0.50	4.5%	4.50

STORES - Cont.

Company Name	Price	Change	Yield	Dividend
Debenhams	100.00	+0.50	4.5%	4.50
Debenhams	100.00	+0.50	4.5%	4.50
Debenhams	100.00	+0.50	4.5%	4.50
Debenhams	100.00	+0.50	4.5%	4.50
Debenhams	100.00	+0.50	4.5%	4.50

TELEPHONE NETWORKS

Company Name	Price	Change	Yield	Dividend
British Telecom	100.00	+0.50	4.5%	4.50
British Telecom	100.00	+0.50	4.5%	4.50
British Telecom	100.00	+0.50	4.5%	4.50
British Telecom	100.00	+0.50	4.5%	4.50
British Telecom	100.00	+0.50	4.5%	4.50

TEXTILES

Company Name	Price	Change	Yield	Dividend
Next	100.00	+0.50	4.5%	4.50
Next	100.00	+0.50	4.5%	4.50
Next	100.00	+0.50	4.5%	4.50
Next	100.00	+0.50	4.5%	4.50
Next	100.00	+0.50	4.5%	4.50

PROPERTY

Company Name	Price	Change	Yield	Dividend
Land Securities	100.00	+0.50	4.5%	4.50
Land Securities	100.00	+0.50	4.5%	4.50
Land Securities	100.00	+0.50	4.5%	4.50
Land Securities	100.00	+0.50	4.5%	4.50
Land Securities	100.00	+0.50	4.5%	4.50

METALS & METAL FORMING

Company Name	Price	Change	Yield	Dividend
British Steel	100.00	+0.50	4.5%	4.50
British Steel	100.00	+0.50	4.5%	4.50
British Steel	100.00	+0.50	4.5%	4.50
British Steel	100.00	+0.50	4.5%	4.50
British Steel	100.00	+0.50	4.5%	4.50

MISCELLANEOUS

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

OTHER FINANCIAL

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

TRANSPORT

Company Name	Price	Change	Yield	Dividend
British Airways	100.00	+0.50	4.5%	4.50
British Airways	100.00	+0.50	4.5%	4.50
British Airways	100.00	+0.50	4.5%	4.50
British Airways	100.00	+0.50	4.5%	4.50
British Airways	100.00	+0.50	4.5%	4.50

WATER

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

INVESTMENT COMPANIES

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

MEDIA

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

MOTORS

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

OTHER INDUSTRIALS

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

STORES

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

PLANTATIONS

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

MINES

Company Name	Price	Change	Yield	Dividend
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50
Various	100.00	+0.50	4.5%	4.50

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4 pm class September 2

continued on next page

AMERICA

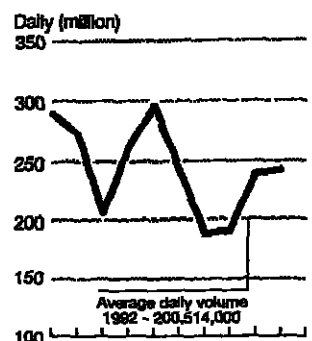
Healthcare issues rise as Dow declines again

Wall Street

IN SPITE of heavy demand for health-related issues, US share prices weakened in subdued trading yesterday morning as more investors deserted the equity markets ahead of the long holiday weekend, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 16.48 at 3,828.62. The more broadly based Standard & Poor's 500 was 1.96 lower at 461.19, while the Amex composite was up 1.35 at 480.33, and the Nasdaq composite up 1.67 at 747.82. Trading

NYSE volume



The brightest spot in the markets were drug and health care stocks, which jumped sharply on a newspaper report that President Bill Clinton had abandoned his plan to impose mandatory price controls on drug companies and health service providers as part of his reform of health care.

Among leading issues, Merck rose 1 1/4% to \$32.74, Pfizer 2 1/2% to \$44.84, Bristol Myers Squibb 1 1/2% to \$57. Schering-Plough 3 1/4% to \$83 and Glaxo 1 1/2% to \$19. Health care stocks were also notably firmer, with United Healthcare up 3/4% at \$62.2 and US Healthcare, traded on the Nasdaq market, up 3/4% at \$47.4.

The gains in drug stocks were offset by declines in cyclical. Aluminum Company of America fell 1/4% to \$74.4, Minnesota Mining & Manufacturing slipped 1/4% to \$108. Caterpillar gave up 1/4% at \$81.2 and International Paper eased 1/4% to \$63.7.

Canada

AFTER closing at a record high on Wednesday, equities eased slightly on profit-taking by midday with the TSE-300 composite index off 13.36 at 4,130.38. Volume was 31m shares.

Among active stocks, Royal Bank of Canada was down 1/4% at C\$27.7 and Placer Dome down 1/4% at C\$27.7.

EUROPE

Drug stocks provide measure of support

EUROPEAN pharmaceutical stocks were given a boost by reports from the US that price controls on drug products were to be postponed, writes Our Markets Staff.

FRANKFURT recovered slightly after an early tumble on the weaker US dollar. It got some lift from Volkswagen, and the big three chemical stocks as the DAX index rose 7.04 to 1,925.62. Turnover eased from DM8.5bn to DM7.9bn.

VW denied rumours that its management board chairman, Mr Ferdinand Piech, and its embattled production chief, Mr Ignacio Lopez, would be replaced at today's supervisory board meeting. However, the shares rose DM11.90 to DM379.50 and held on to their gains in the post-bourse.

BASF, Bayer and Hoechst rose by DM3.10 to DM256, DM7.40 to DM307 and DM3.40 to DM275.50 respectively, turnover in Bayer rising from DM305m to DM489m in the process. Mr Charles Brown at Goldman Sachs said the sector had been soft earlier in the week, but that the shares were cheaper than those of, say, ICI in the UK. He added that Bayer had started on its

FT-SE Actuaries Share Indices

September 2		THE EUROPEAN SERIES									
Hourly changes		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE Eurotrack 100		1290.50	1298.67	1299.59	1299.59	1299.51	1299.67	1302.83	1302.75		
FT-SE Eurotrack 200		1380.29	1383.76	1383.86	1382.82	1386.46	1382.95	1385.40	1385.48		
		Sep 1	Aug 31	Aug 27	Aug 26	Aug 25					
FT-SE Eurotrack 100		1305.03	1319.96	1308.15	1298.46	1310.93					
FT-SE Eurotrack 200		1385.51	1396.45	1387.66	1384.06	1385.82					
Data value 100 (50/1000) High/Low: 100 - 1300.50 200 - 1386.65 Low/Low: 100 - 1297.72 200 - 1379.81											

cost production programme earlier than BASF or Hoechst.

Its earnings are less volatile, and it is on a 1993 p/e of only 14 compared with 35 for ICI.

PARIS continued to drift lower, the CAC-40 index closing down 6.81 at 2,185.

Elf Aquitaine remained on investors' minds, the shares down another FF7.70 at FF428.00. Since the oil group's interim results were released on Tuesday the shares have fallen by 4.6 per cent.

James Capel in London has downgraded the stock to hold, although the broker notes that, excluding the one-off write down in its North Sea oil and gas reserves, "the operating results were broadly in line with expectations...and the share price is now reflecting

expectations of earnings recovery in 1994 and 1995".

Reports that the US would postpone a decision to impose price controls on pharmaceutical stocks lifted Elf Sanofi, which went against the market trend with a rise of FF18 to FF1,014.

Rhône-Poulenc fell back FF3.50 to FF158 on slightly disappointing results, while Axa went the other way, up FF20 to FF1,630 after a jump in first half turnover.

AMSTERDAM saw a sharp fall in VNU, the publishing group, on disappointment over interim figures, the shares losing F15.90 or 4 per cent to F135.50. The CBS Tendency index closed down 0.6 at 129.5.

The fall in VNU hit the publishing sector, with Elsevier

declining F11.70 to F1145.10 and Wolters Kluwer down F11.00 at F1102.10.

ING was one of the few stocks to show a rise on the day after satisfactory interim results, the shares ending 70 cents higher at F173.80. Meanwhile, Heineken dropped F2.00 to F185.60 in reaction to its half year figures.

ZURICH's chemicals gained on a Washington Post report that President Bill Clinton had dropped the idea of imposing short-term price controls in the US health industry. Roche certificates were the most active stock as they rose SFr40 to SFr6,115, and Sandoz certificates added SFr40 to SFr3,270.

However, there was profit-taking in banks where SBC bearers fell SFr13 to SFr473 after good results. Overall, the SMI index lost 6.6 at 2,463.8.

MADRID's fears of an accelerating downturn saw an accelerating downturn saw a sharp fall in VNU, the publishing group, on disappointment over interim figures, the shares losing F15.90 or 4 per cent to F135.50. The CBS Tendency index closed down 0.6 at 129.5.

STOCKHOLM was driven higher by the performance of Astra, which gained in line with other European pharmaceutical stocks. It rose SKr14 to SKr172 as the sector sub-index advanced nearly 6 per cent.

The Affärsvärlden general index put on 11.90 to 1,273.90 in turnover of SKr2bn.

HELSINKI fell sharply, the Hex index losing 40.61 or almost 3 per cent at 1,375.37, as a weaker currency and worries over impending wage talks weighed on sentiment - there are suggestions that employees may demand wage increases, after two years of pay freezes. The banking and financial sub-index dropped by 5 per cent.

MILAN saw activity in a few major issues, although the overall tone of the market was quiet. The Comit index closed down 4.79 at 620.88.

Rumours of possible stake building in Ferruzzi helped to lift the shares 1.27.50 to 1,307.50, while strong buying was noted in Olivetti, up 1.11 at L1,966 and Pirelli, up 1.56 at L1,966. WARSAW rebounded from a two-day slump, the WIG index climbing by 585.9 or 9.3 per cent to 6,893.8 as 18 out of 19 stocks rose by their 10 per cent daily limits in turnover of 728bn zlotys.

Further hopes for Oslo after a recovery in 1993

Karen Fosli on prospects for Norwegian equities

IN spite of a recent market setback, several domestic and foreign analysts believe that Oslo equities have some way to go before they become fully priced.

They say that the fundamentals augur well for Oslo. Interest rates are low, the economy is strong, oil prices and the dollar are relatively firm at high levels and corporate earnings are growing.

Even the dark shadow cast over the market by Norway's six-year bank crisis has been blown away by strong first-half results from the sector, there are some signs that confidence in the banks is being restored. Rebounding strongly from a dismal performance during 1991 and 1992, Oslo's all-share index has surged ahead by 52 per cent this year to become one of Europe's top performers; last year it was among the worst in the world, with the all-share down 10 per cent.

The driving force has been the sharp decline in domestic interest rates, which have plunged this year to their lowest level in more than a decade. One-month money market rates are currently hovering around 6.5 per cent, while the 12-month rate has been relatively stable at around 6.1 per cent.

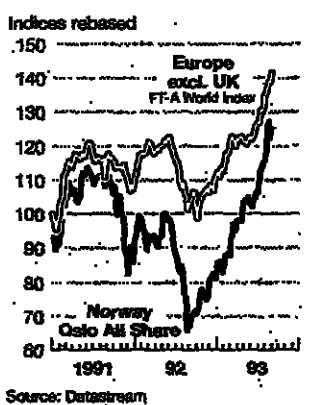
Analysts believe that interest rates have yet to bottom out. They could fall to between 5.5 to 5.7 per cent this year, and support a further rise in the market of between 10 and 18 per cent before the turn of the year.

However, since attaining a year's high of 591.08 on August 13 in record turnover of NKr1.44bn, the market has

relinquished some 4% per cent.

Analysts say that the decline should be viewed as a short-term technical correction, rather than as an indication of how Oslo may perform during the remainder of the year. "Oslo could go up by another 10 per cent," forecasts Mr Tage Haug, an analyst at Kleinwort Benson.

Mr Haug notes that there



that foreign investors have been behind about 60 per cent of Oslo's trading volume.

Other positive factors behind the bourse's upbeat performance include the strong dollar - currently at a near four-year high of NKr17.00 - and stable oil prices, hovering around \$17 a barrel, which are nothing but good news for Norway's oil-dependent economy.

The US-based investment house Merrill Lynch believes that the dollar will rise by 13 per cent against European currencies over the next 12 months and that oil prices will strengthen over the same period.

Good earnings momentum in corporate blue chips, together with the strength of the Norwegian economy, is also expected to enhance market sentiment. Merrill Lynch expects earnings growth of 130 per cent in 1993 and 180 per cent in 1994 - after an 80 per cent drop last year from the 1989 peak.

Norway's annual rate of inflation, at 2.3 per cent, is currently among the lowest in Europe, and the country's lowest in three decades. The Bank of Norway expects the economy to expand by 1.3 per cent in 1993 and 2.3 per cent in 1994. Again, this is among the strongest projected growth rates in Europe.

In relation to European markets, Oslo will stand up quite well and will continue to be one of the best performers. Most European markets have reached earlier peaks but Oslo could go another 15 to 20 per cent," believes Mr Klas Andersson of Goldman Sachs.

ASIA PACIFIC

Fresh strong gains seen in the Pacific Rim

Tokyo

SHARE prices closed marginally higher after fluctuating in a narrow range on arbitrage buying and profit-taking by institutional investors, writes Emiko Terazono in Tokyo.

The Nikkei average gained 39.90 at 20,983.20 after a day's high of 21,045.90 and low of 20,921.29. Foreign investors, individuals and dealers supported the index against profit-taking by investment trusts and life insurers.

Volume was 350m shares, against 366m, remaining above 300m shares for the third consecutive day. Advances led declines by 640 to 470, with 173 issues unchanged. The Topix index of all first section stocks edged 4.57 up at 1,533.08, a new high for this year. In London the ISE/Nikkei 60 index was 1.66 firmer at 1,288.22.

Hopes of an imminent cut in the official discount rate continued to support sentiment, in spite of comments by Mr Yasushi Mieno, the governor of the Bank of Japan, ruling out an early rate reduction. Many investors expect the Bank of Japan to ease monetary policy next week, when the tankan, its quarterly report on business sentiment, is due to be released.

Retail shares gained ground on reports that Mr Isao Nakachi, chairman of the supermarket chain Daiso, had presented Mr Morihiro Hosokawa, the prime minister, with a report on the deregulation of the retail sector. Daiso rose ¥110 to ¥1,340, while Ito-Yokado gained ¥210 to ¥5,040 and Seiyu ¥30 to ¥1,470.

The fall in the yen supported some consumer electronics makers. Matsushita Electric Industrial moved ahead ¥80 to ¥1,470.

SOUTH AFRICA

SHARES drifted lower but finished above the day's worst. A weaker bullion price left the golds index off 30 at 1,722, with Gold Fields down R1.80 at R81.20. Industrials declined 7 to 4,630 and the overall index by 17 to 4,010.

Y1,480, TDK ¥80 to ¥3,990 and Victor ¥30 to ¥1,050.

Yamaichi Securities lost ¥10 to ¥345 on rumours of undisclosed toshiki deals, where brokers shift clients' accounts to hide unrealised profits. Nomura Securities shed ¥30 to ¥1,370, but Daiwa Securities rose ¥10 to ¥1,480.

In Osaka, the OSE average added 79.81 at 23,959.99 in volume of 80.3m shares.

Roundup

ANOTHER clutch of record highs enlivened trading in the region yesterday. Pakistan was closed due to a strike at the exchange.

MANILA reached another all-time peak, led again by strength in Philippine Long Distance Telephone, up 35 pesos at 1,305 pesos. The composite index added 15.52 at 1,842.72 as turnover slipped from 789m pesos to 824m.

Foreign investors were active buyers of "B" shares in Manila Electric, up 5 pesos at 241 pesos, and San Miguel, 10 higher at 143 pesos.

SINGAPORE built on Wednesday's gains, the Straits Times Industrial index adding 9.08 at 2,021.87, for its second consecutive record high.

Brokers said US buying was supporting the market, while second line stocks again featured heavily in trading.

KUALA LUMPUR also set a new high on institutional buying of blue chips. The composite index finished 30.12, or 3.7 per cent, up at 851.6.

The market's rise was led by Genting, up M\$1.90 at M\$25, while Tenaga Nasional and Telekom Malaysia saw respective gains of M\$1 and 70 cents to M\$11.90 and M\$17.70.

NEW ZEALAND, helped by a 12-cent advance in Telecom to NZ\$3.94, closed above the 2,000 index level for the first time in two weeks. The NZSE-40 capital index rose 32.42, or 1.6 per cent, to 2,016.45 in turnover of NZ\$45m.

HONG KONG retreated further as profit-taking took hold, and the Hang Seng index fell 48.74 to 7,493.45 in turnover of some HK\$3.2bn.

The banking sector continued to weaken, with HSBC Holdings down 50 cents at HK\$83, but above the day's low of HK\$82.

The utilities sector was weaker after recent gains, with Hong Kong Telecom losing 20 cents to HK\$13.40, China Light & Power 10 cents to HK\$24.50 and Electric 10 cents to HK\$20.50.

SEATTLE was modestly higher, with interest mainly concentrated on small and medium-sized companies. The composite index added 3.17 at 678.03 in turnover of Won284bn.

AUSTRALIA fell back from early highs on some profit-taking in News Corp, which saw an intraday peak of A\$10.38 after the group announced new satellite ventures, before closing a net 20 cents down at A\$9.80. The All Ordinaries index finished 8.7 off at 1,988.4 in turnover of A\$644.7m.

Among other major issues, BHP fell 14 cents to A\$15.98 and National Australia Bank 20 cents to A\$11.54.

BOMBAY rose on Wednesday's one percentage point cut in minimum lending rate to 15 per cent, the BSE index ending 53.85 ahead at 2,844.34.

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NATIONAL AND REGIONAL MARKETS																
WEDNESDAY SEPTEMBER 1 1993																
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Point Starting Index	Yen Index	Old Index	Local Currency Index	Local % chg on Day	Gross Div. Yield	US Dollar Index	Point Starting Index	Yen Index	Old Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
TUESDAY AUGUST 31 1993																
DOLLAR INDEX																
Australia (69)	148.94	+0.4	146.98	90.45	128.42	148.38	+0.9	3.39	148.32	147.83	98.18	129.39	148.96	148.84	117.98	128.82
Austria (17)	174.71	+1.2	171.85	118.74	150.74	150.75	+0.0	1.29	172.70	172.13	114.30	150.66	150.78	174.71	131.19	153.01
Belgium (42)	147.19	+1.0	144.78	98.33	126.99	129.58	+0.7	4.42	145.70	145.22	98.42	127.11	128.64	156.76	131.19	142.80
Canada (107)	128.42	+0.3	128.29	85.80	110.79	122.88	+0.3	2.78	128.08	127.67	84.77	111.74	122.53	130.38	111.41	127.22
Denmark (39)	225.83	+1.6	221.51	150.78	194.67	200.75	+1.1	1.00	221.98	221.25	146.92	193.65	207.41	227.15	141.14	205.61
Finland (23)	108.38	-0.9	108.59	72.42	93.51	133.86	-1.0	0.91	108.34	108.98	72.37	95.39	108.36	111.56	65.50	61.19
France (67)	188.57	-0.4	185.78	112.62	145.43	153.96	-1.0	3.00	186.17	186.81	111.95	147.57	155.57	169.17	142.72	161.07
Germany (60)	125.64	-0.1	123.58	83.98	108.40	108.40	-1.2	1.94	125.75	125.34	83.24	108.70	108.70	125.75	109.19	118.26
Hong Kong (5)	167.84	+0.5	166.44	127.81	140.05	164.74	+0.1	3.34	207.28	206.28	198.74	209.36	209.73	201.81	114.48	144.88
Ireland (15)	170.46	+0.8	167.65	113.65	147.07	170.77	-0.6	3.27	169.50	168.94	112.16	147.87	171.76	171.98	129.26	158.96
Italy (70)	76.51	-1.6	75.24	51.12	66.01	91.06	-2.2	1.79	77.88	77.82	51.54	67.93	93.17	79.93	53.78	61.71
Japan (40)	158.84	-1.2	158.22	106.13	137.08	137.08	-0.3	0.78	160.82	160.29	106.43	140.31	138.43	165.91	100.75	108.73
Malaysia (6)	394.57	+1.8	388.15	263.08	340.50	387.44	+1.8	1.77	387.74	388.48	258.61	338.25	380.43	394.67	251.66	235.06
Mexico (19)	1734.10	+0.0	1705.44	1158.63	1456.13	1502.16	+0.0	0.84	1734.17	1728.44	1147.72	1612.87	1604.29	1764.86	1410.30	1297.31
Netherlands (24)	185.04	+0.2	181.98	123.63	159.85	157.51	-0.9	3.43	184.67	184.06	122.22	161.10	158.92	185.04	150.39	166.83
New Zealand (13)	51.16	+0.1	50.15	40.87	62.77	58.66	-0.1	3.80	61.08	60.87	40.42	53.28	58.89	62.98	40.56	42.29
Norway (22)	172.66	+0.5	169.81	115.37	148.97	169.32	-1.3	1.56	173.58	173.01	114.88	151.43	171.83	177.21	114.48	144.88
Singapore (38)	285.60	+0.0	280.88	180.82	248.40	211.37	+0.1	1.63	285.63	284.53	185.95	249.65	211.23	285.77	207.04	201.41
South Africa (50)	193.76	-0.9	190.30	123.32	168.99	195.90	-0.1	2.69	194.63	193.98	128.81	168.79	200.15	215.22	142.74	193.23
Spain (49)	137.50	-1.5	135.82	82.01	118.98	138.37	-2.5	4.00	138.76	139.30	92.50	121.32	142.88	140.27	115.23	141.76
Sweden (14)	161.00	-1.6	160.14	120.94	166.16	218.84	-1.7	1.54	163.77	163.17	121.83	160.33	222.34	186.23	149.70	178.25
Switzerland (50)	136.70	+0.9	134.41	61.34	117.65	136.85	+0.9	1.83	136.38	136.85	61.34	117.65	136.85	136.70	106.81	115.94
United Kingdom (218)	189.30	+0.6	186.18	128.47	163.31	186.18	-0.5	3.77	187.79	187.17	124.27	163.91	187.17	189.50	162.00	182.86
USA (202)	189.26	-0.1	186.13	128.46	163.30	189.26	-0.1	2.71	189.40	189.18	123.36	165.24	189.40	189.40	173.38	170.20
Europe (750)	157.33	+0.2	154.73	105.12	136.75	146.08	-0.9	3.00	157.01	156.48	103.92	136.98	157.33	157.33	132.92	147.80
Nordic (114)	173.80	-0.6	170.78	118.01	149.80	183.02	-0.8	1.34	174.77	174.17	115.55	145.25	184.71	183.23	142.13	181.29
Pacific Basin (714)	160.85	-0.1	160.38	105.95	140.68	118.02	-0.2	1.06	161.74	161.22	109.05	143.74	171.31	169.80	105.88	114.11
USA & Pacific (149)	189.59	+0.3	187.57	128.47	163.31	189.59	+0.3	2.91	191.47	190.89	124.65	168.81	189.59	189.59	172.26	180.07
North America (627)	185.48	-0.1	182.41	123.94	160.05	184.74	-0.1	2.71	187.47	187.06	114.95	148.85	185.48	185.48	167.51	181.51
Europe & Asia (832)	137.26	-0.2	134.94	91.89	118.40	127.53	-1.1	2.49	137.47	137.01	91.00	119.00	129.91	137.47	121.51	126.20
Pacific Ex. Japan (244)	204.81	+0.4	201.42	136.96	176.72	188.34	+0.6	2.96	204.20	203.36	135.08	170.02	188.74	204.81	152.70	157.06
USA & US (953)	168.81	-0.5	166.17	107.45	138.88	144.73	-0.4	1.85	167.84	167.11	106.99	141.02	150.69	162.78	118.51	129.03
World Ex. UK (1952)	167.34	+0.1	164.57	114.59	144.39	171.43	+0.1	2.00	168.19	167.88	111.26	146.94	167.34	167.34	134.07	138.07
World Ex. So. Af. (2710)	168.24	-0.3	166.44	113.09	140.03	146.01	-0.3	2.17	168.85	168.67	112.41	148.17	148.81	169.83	129.19	141.67
World Ex. Japan (1100)	176.87	+0.1	173.94	118.18	156.62	172.30	-0.3	2.81	176.77	176.19	117.00	154.24	174.81	176.87	157.47	160.30
The World Index (2170)	169.28	-0.4	166.46	113.11	146.06	146.48	-0.3	2.17	169.88	169.32	113.43	148.21	169.81	169.88	137.32	141.94
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